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# Below the headline:

A year in the life of  
families in poverty

**Believe in  
children**



**Barnardo's**

July 2009

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Barnardo's Policy and Research Unit





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# Foreword



This Government's 1999 commitment to eradicate child poverty by 2020 and halve it by 2010 was its boldest and potentially most far-reaching social goal.

Investment in tax credits and policies such as Sure Start got this pledge off to a tremendous start and lifted about half a million children out of poverty. But progress has stalled. In fact, child poverty in the UK increased between 2005/6 and 2007/8.

There are 4 million children living in poverty in the UK today. Children who are missing out on what most would consider essentials: a decent diet, a warm home, birthday treats, school trips, books and somewhere safe to play.

Bringing up children on incomes well below the poverty line is cruelly difficult for parents. When they are faced with the harsh reality of making sure that children have a basic school uniform or the money for a school trip, this report shows how easy it is for families to borrow small amounts of money, usually from home credit companies. This comes at an outrageously high

cost. For example, one of the families in this study had a loan of £100 over 31 weeks at a rate of 367 per cent APR.

Poverty is not just about income. There is poverty of health and education, poverty of parenting and poverty of aspirations. However, for the families in this study, the first step is addressing the simple lack of money that these families face week in and week out.

Can we afford to address the economic absurdity and the moral unacceptability of such levels of child poverty? We certainly can. In an era where the Government has found a means of investing billions in propping up the UK's financial systems, they would need to find just £4 billion – or around two-thirds of one per cent of public spending – to fulfil the brave 1999 commitment to halve child poverty by 2010. This should be invested in benefits and tax credits to increase the family incomes of the poorest. Not to do so would be to abandon the poorest children in this, the fifth richest nation in the world. That would be shameful.

*Martin Narey*

Martin Narey  
Chief Executive, Barnardo's

# Executive summary

## Introduction

Discussion about child poverty in the UK is often somewhat detached, offering statistical data on how far family incomes fall short of the Government's poverty line and speculating about the economies families have to make. This rarely captures the daily, grinding poverty that 4 million children in the UK currently experience<sup>1</sup>. Barnardo's year-long study<sup>2</sup> followed 16 families living in poverty in the UK. By tracking these families over a period of time we reveal the details of how they deal with money and the challenges they face in making a low income meet the diverse, and sometimes unpredictable, needs of family life.

The families were Barnardo's service users (or former service users) and were living in poverty at the start of the project. This was determined by an initial financial assessment based on income and family size and calculated using the Government's poverty measure<sup>3</sup>.

Barnardo's works directly with over 100,000 children, young people and their families every year through more than 400 projects across the UK. We aim to reduce the impact of poverty on children, young people, families and communities through social, economic and community action. Around one-third of our work focuses on the alleviation of poverty and it is an inescapable element of nearly all our work.



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- 1 There are 2.9 million children living in poverty before housing costs are taken into account (the Government's preferred measure), and 4 million children living in poverty after housing costs are taken into account (Department for Work and Pensions (2009) *Households Below Average Income 2007/8*). In this report we refer to both measures. The after-housing costs measure gives a more accurate picture of a family's disposable income; especially as there are wide geographical variations in housing costs. Notes 3 and 4 below set out further details on the Government's child poverty measures.
  - 2 From January 2008 to January 2009.
  - 3 This report uses the same definition of poverty as used by the Department for Work and Pensions in its *Households Below Average Income* series. The poverty line is 60 per cent of median income – where the median is the level of income after direct taxes and benefits, adjusted for household size, so that half the population is above the level and half below it. This definition is a standard that changes as median income levels change: it is a measure of relative poverty. People living in poverty are defined as those living on less than 60 per cent of median income. The Government's 2010 target to halve child poverty is defined solely in terms of income measured before housing costs.

## UK policy context

In 1998/99, child poverty in the UK stood at 4.4 million children using an after-housing costs measure and 3.4 million before housing costs – one of the worst rates in Europe. At that time the Labour Government made a bold and historic pledge to the nation's children: to halve child poverty by 2010 and to end it by 2020. Since 1998/99, about 500,000 children have been lifted out of poverty – a great achievement – but on current policies there is little prospect of the Government meeting its 2010 target. The estimated £4 billion cost of meeting the 2010 target<sup>4</sup> is small compared to the estimated £25 billion that child poverty costs the UK each and every year in reduced educational opportunities, lower productivity, increased spending on social security, and lower taxes<sup>5</sup>.

Continuing to reduce child poverty will require national and local government, front-line workers and practitioners, the voluntary sector and the business community to work in partnership. Three pieces of legislation offer the potential for a range of players to make a real difference in local communities:

- The Child Poverty Bill, which will place a new statutory requirement on the Government to publish a child poverty strategy<sup>6</sup>
- The Equality Bill, which places new equality and socio-economic duties<sup>7</sup> on local authorities



- The Welfare Reform Bill, with measures to move Job Seeker's Allowance claimants into work through greater support and ultimately sanctions.

The Government has acknowledged that fiscal measures alone will not eradicate child poverty by 2020. The building blocks of employment and adult skills; financial support; services for children, young people and families; housing and the environment; and social inclusion, are all important in breaking the intergenerational cycles of poverty<sup>8</sup>. But the principal requirement is for families living in grinding poverty (and half the children who live in poverty have a parent or parents working) to have a greater income. This is particularly the case when we can expect the poorest families to bear the brunt of the current recession.

<sup>4</sup> Brewer, M et al (2009) *Poverty and Inequality in the UK: 2009*, Institute for Fiscal Studies. The IFS analysis, which takes account of the Budget 2009, shows that child poverty needs to fall by 1.2 million to meet the Government's target of halving child poverty by 2010 (on the before-housing costs measure). On current spending plans the Government is likely to fall short of this target by about 600,000 children unless it can invest approximately £4 billion in taxes and benefits before the 2009 Pre-Budget Report.

<sup>5</sup> Hirsch, D (2008) *Estimating the Costs of Child Poverty*, Joseph Rowntree Foundation.

<sup>6</sup> The Child Poverty Bill – published on 12 June 2009.

<sup>7</sup> *A Fairer Future: The Equality Bill and Other Action to make Equality a Reality* from the Government Equalities Office sets out how the Government will legislate to place a duty on public bodies to tackle socio-economic disadvantage and narrow outcome gaps for people from different backgrounds.

<sup>8</sup> See note 6.





### Case study – Ralph

Ralph's wife died in 2005 and he is now a single father to their five daughters aged between seven and 17. One of his daughters, Natalie, has a medical condition that is difficult to manage, and Ralph often gets called to collect her from school during the day. Ralph is a semi-skilled engineer and had been in the same job for 11 years. When his wife died his boss told him to take time off; but that was four years ago and because he felt he needed to care for his daughters full-time, he has not returned. 'All I want to do in five years is have a job somewhere... I would want a job, but where do I get one? I don't know.'

Ralph's weekly income is £290 after housing costs, £112.38 below the poverty line<sup>9</sup>.

Ralph does not like to borrow money. He prefers to live within his means and only spend what he has budgeted for. In the past he has had a loan from the Provident<sup>10</sup> and was horrified at the high level of interest which he paid back: 'It was scary and it kept me awake at night'. During the study, to meet unexpected costs, Ralph had to

apply for a budgeting loan of £900 from the Social Fund<sup>11</sup>. Payment for the debt was arranged to be taken out of his income support at £10 per week. He says that the Social Fund is his only means of buying the things the family needs without resorting to a home credit company: 'It's a loan but not the same pressure... the good thing about the Social Fund, the money – they take it all out [at source] so you don't have to worry about going down and paying the bill'.

Ralph is not able to get a bank account. He has tried every bank in his home town but has been told he cannot open an account unless he can provide a driving licence or a passport as proof of identity. He has never learned to drive and has not been abroad since he was 17 years old. His inability to get a bank account has a number of knock-on effects. He has lost confidence in his ability to manage money in this way and one of his concerns about returning to work is that he will have to change the way he manages his finances. He routinely pays more for bills because he cannot pay by direct debit.

9 The Government defines poverty as those living below 60 per cent median income. See note 3. For a single adult plus two children over 14 and three children under 14, the poverty line is £402 after housing costs. Department for Work and Pensions (2009), *Households Below Average Income 2007/8*.

10 The Provident refers to Provident Financial PLC, which is a home-collected credit company offering small, unsecured loans and other related products [www.providentfinancial.com](http://www.providentfinancial.com)

11 The Social Fund provides discretionary lump sum payments, grants and loans for benefit claimants. Because it is administered by Jobcentre Plus, repayments are taken at source from the total weekly amount of benefit and no interest is charged. Jobcentre Plus (2008) *The Social Fund*, Department for Work and Pensions [www.jobcentreplus.gov.uk/JCP/stellent/groups/jcp/documents/websitecontent/dev\\_015606.pdf](http://www.jobcentreplus.gov.uk/JCP/stellent/groups/jcp/documents/websitecontent/dev_015606.pdf)

### Research findings

This report draws on the experience of all 16 families in our study, and we have chosen to tell the stories of six families in detail. These dramatically highlight the families' financial exclusion and how they can be mired in persistent debt.

The research also highlights the remarkable resilience and determination of the children in our study.

#### Jelani

When Jelani was asked how he had spent his 14th birthday, he said he stayed at home and they had a party, just for the family. Asked if he got presents, he said yes, from his friend, but not from his mother. Jelani gave the £10 he received from his friend to his mother, to help towards the cost of school uniforms.

Jelani tells us that he would like to be able to buy some of the things that his friends have, such as nice clothes: 'You see other people with things you like... I wish I could have that. But I can't...

'Cos they got more [money] they can enjoy themselves, but we can't'.

At 14, Jelani is the eldest of four siblings and he shows an understanding and sensitivity to his mother's situation. When asked how he would describe his mum's life he says: 'Quite difficult... she can't cope. We're always asking for too much... she's asking for loans and debts... she's putting her own life at risk'. When asked does this upset him, he says 'Yes... sometimes I feel like... sometimes I need something, yeah, but I see what she's going through and I keep quiet'.

In the future Jelani hopes to study and get a job in business or engineering. In order to afford to go to university Jelani says he will try and save up when he gets to age 16.

#### Poverty and spiralling debt

The families' low incomes mean that they struggle to meet the costs of basic living. Anything additional to that – be



it birthday presents, school uniforms or replacing an essential household appliance – can derail even the most careful budgeting. The families manage their cash on a week-by-week basis. There is no slack: rarely any spare cash at the end of the week.

There are only three ways of meeting one-off or seasonal costs:

- 1) Absorb the cost – being below the poverty line means this is the ‘get cold and go hungry’ option  
Pauline’s source of fuel is a large oil tank in her garden. Oil has to be purchased in bulk.

‘It’s terrible ’cos I got my money on Monday, I got £180 and had to get my oil and that’s £167 and I was just left completely skint all week, it’ll just have to do... I actually phoned up and asked them could I get 200 litres and they says no... it was 300 I had to pay for, so... I said to the girls we’re just gonna have a really bad week, it’s just been like spaghetti on toast and things and we’ve just had to make do.’ (Pauline, 39, mother of two primary school-aged children.)

- 2) Use savings, where they exist at all  
Only four families in our study were able to save even the smallest amounts of cash. Three did manage to save a little each week. For example, Ralph, a widowed lone parent with five daughters, saved £10 each week from April for the school uniforms he needed to buy in September. None of the families were making any provision for pensions.

- 3) Borrow

‘You can’t get the money any place else, you can’t go to a bank.’

With Christmas approaching, Gary expected the Provident<sup>12</sup> representative to visit and offer another loan to pay off the existing debt with a sum left over to pay for Christmas. He was determined to turn it down: ‘I don’t want to go that way again. I want to get that cleared. I would rather not borrow at all but just have to, to stay alive’. (Gary, 47, lives with his wife and two children, aged 13 and nine.)

Many of the families did not have a basic bank account, even though they had tried approaching high street banks. Some had been refused an account without explanation, whereas others had been told that it was because they could not provide a passport or driving licence. These forms of identification were prohibitively expensive for them to obtain. Without a bank account families are excluded from:

- short-term overdraft facilities
- discounts associated with direct debit arrangements
- interest free purchase schemes (e.g. for furniture and white goods)
- bank loans at affordable interest rates.

Ominously, the families in our study found it relatively easy to obtain credit, usually from home credit companies. But, as a consequence, they faced punitively high charges or interest rates<sup>13</sup>. For example, one of the families<sup>14</sup> in our study had a loan of

<sup>12</sup> See note 10.

<sup>13</sup> Home credit companies collect the money in person from homes weekly, and do not charge for missed payments. The high default rate and cost of collecting the loan is factored into the high interest rates clients pay.

<sup>14</sup> Gary and May, who have two children aged 13 and nine.







£100 over 31 weeks from the Provident at a rate of 367 per cent APR.

**‘[I] borrow, borrow, borrow. It’s so easy... they tend to give it more to people on benefits... I mean I can get credit no problem and I’ve got it... I’ve got a lot of debt and I’m not... ashamed of it...’cos everybody has debt. If somebody says they don’t have debt they’re telling lies... I am careful with my money and budget well. I pay all my bills and even though I have a lot of debt, I pay it.’ (Jane, 32, mother of five children aged between one and eight years.)**

Our research findings show that although families had fallen into poverty for different reasons, they followed similar pathways into a cycle of severe and inescapable debt.

- Families receiving state benefits, which are intended to provide a ‘safety net’, in reality live significantly below the poverty line.
- Complexities in benefits administration, resulting in delays to new claims, late payment or overpayments, can lead to financial crisis for families whose financial situation is so finely balanced.
- Building up assets and savings from incomes well below the poverty line is near impossible.
- While income is static, expenditure is not and families are unable to manage seasonal financial pressures or unexpected expense, having no savings to draw on.

- The Social Fund is an invaluable source of support but can be inflexible and slow. Other low-cost borrowing options such as credit unions currently lack sufficient geographical coverage, and loan eligibility criteria vary – for example many require members to have saved with the union before being allowed to borrow.
- Unable to access mainstream credit, families are left no other option than to subsidise the benefits shortfall by resorting to the home credit market and doorstep lenders with very high interest rates.
- Families quickly amass debt that has to be serviced from their benefits payments on a weekly basis. The net result is that families are left trying to survive on even less than their benefit income and that taxpayers’ money administered in welfare payments goes more or less directly to finance companies.
- The reverberating effects of financial exclusion are that families pay more for essential services as well as for credit.

### **Persistence**

The Government defines persistent poverty as living in poverty for at least three out of every four years<sup>15</sup>. Using this measure, the majority of the families in the study were living in persistent poverty. Consistent with other research<sup>16</sup> we found that income poverty was exacerbated by low educational achievement, disability or ill-health, unemployment, lone

<sup>15</sup> The Department for Work and Pensions *Households Below Average Income* series.

<sup>16</sup> Department for Work and Pensions (2008) *The Circumstances of Persistently Poor Families with Children: Evidence from the Families and Children Study*, Research Report 467 (May).

parenthood, having a large family and having young children.

Despite a clear understanding of these factors, policies are not currently delivered in a way that enables professionals to work together to address a range of often interrelated problems. It will be difficult for the parents in this study to exit poverty unless a long-term, broad perspective is taken to help them balance their caring responsibilities with sustainable employment.

Work is commonly cited as the best route out of poverty. Although the Government has introduced several policies to 'make work pay', far too many parents still do not earn remotely enough to lift their families out of poverty. More than half of children in poverty have a parent in paid work<sup>17</sup> and 32 per cent of children in lone parent households, where the parent is working either full-time or part-time, are still living in poverty<sup>18</sup>. A family of two parents with two teenage children aged 13 and 15, and one parent working full-time on the National Minimum Wage, is over £105 below the poverty line each and every week<sup>19</sup>.

Although the families in this study have strong aspirations for themselves and their children, they need significant financial, practical and personal support.

**'I try to instil in my kids that school is the most important years of your life; listen to what you're being taught because it will affect your life forever.'**  
(Jane, 32)

**'I don't want my children to end up like me. I want them to have a good education.'**  
(Fiona, 32, mother of three children aged seven, eight and 10.)

**'I would be disgusted if my children ended up living on benefits when they are older.'**  
(Pauline, 39)

The parents in this research all wanted to work but many of them lived in areas of high unemployment. Some had come to accept that they would probably never find a local job. Without support to tackle this sense of hopelessness, government initiatives to move benefit recipients from welfare to work may be less effective.

This sense of hopelessness came across clearly from the women in our study, and highlighted the significant barriers they face to being able to work their way out of poverty. Ten were lone mothers, not infrequently emotionally and financially abandoned by the fathers of their children. Almost all had poor educational experiences and were now socially isolated.

<sup>17</sup> Fifty seven per cent of children living in poverty are in a household where at least one adult is in work. Department for Work and Pensions (2009) *Households Below Average Income 2007/2008*.

<sup>18</sup> Department for Work and Pensions (2009) *Households Below Average Income 2007/2008*.

<sup>19</sup> This calculation uses the after-housing costs measure poverty line of £362.18 (HBAI 2007/08: [www.dwp.gov.uk/asd/hbai/hbai2008/contents.asp](http://www.dwp.gov.uk/asd/hbai/hbai2008/contents.asp)). The family income in and out of work is sourced from *Tax Benefit Model Tables: April 2008*: [www.dwp.gov.uk/asd/asd1/TBMT\\_2008.pdf](http://www.dwp.gov.uk/asd/asd1/TBMT_2008.pdf). The income from one adult working 30 hours per week at National Minimum Wage is £257.05, leaving the family £105.13 below the poverty line after housing costs. On the Government's preferred before-housing costs measure, this family would still be £44.49 below the poverty line every week. If no one in this family worked they would be £135.38 (after-housing costs) or £74.84 (before-housing costs) below the poverty line.



## Conclusion

This research provides an insight into the experience of 16 families, six of whom we detail in this report; but 4 million children in the UK<sup>20</sup> are living similarly poverty-stricken lives. For both economic and moral reasons we need to help families find their way out of poverty. All of them want to do so. A clear message came from the parents in this study that they want to work and don't want to depend on state benefits. The children have the same hopes as their friends – rich or poor – to live in decent warm homes, with safe places to play and with the same treats that other children have. Most value their education and want to go to university, get a good job and own a house and a car. This is not too much to ask.

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<sup>20</sup> After housing costs.

# Introduction

*‘[The children] are not in any classes like their wee friends would be, in gymnastics and things like that, but they’re just far too dear and you can’t.’*

Pauline (39) is unemployed and separated from her violent ex-partner, with whom she had three children. He has never paid child maintenance and is currently serving time in prison. Their eldest child died three years ago in a road traffic incident, aged 15, and Pauline is now a lone parent of two primary school-aged children. Pauline has osteoporosis and since her bereavement she has also been suffering from debilitating depression and anxiety. The family lives on Income Support and some Disability Living Allowance for Pauline’s illness. She would love to work as a care assistant but at the moment she is really struggling to overcome her mental health issues and come to terms with the loss of her child. Pauline finds it difficult to keep on top of household bills and is constantly worried about what the future holds for her and the children.

Ralph (36) is also a lone parent. He lost his wife unexpectedly and left his full-time job to care for his bereaved children. He has five girls aged between seven and 17 years old. Despite a difficult start in life, Ralph had been succeeding against all the odds. He had grown up in public care, leaving at 17 to live on his own and take up his first job. Later, he married and settled down to have children, remaining in full-time work until his

wife’s death in late 2005. Now Ralph worries about the stigma of being on benefits and does not want to be regarded as a ‘down and out’ because he is not working. He does not want his girls to feel intimidated by others for being different.

These few words sum up two real families struggling to get by from week-to-week in this, the fifth richest nation in the world.

Barnardo’s year-long study of 16 families provides an in-depth insight into the lives of families in poverty in the UK. These families all lead very different lives and have unique stories to tell about how they arrived at the circumstances they are in today. The two features these parents and children share are that they live in poverty and have used a Barnardo’s service at some time to help their situation.

Getting to know these families over a 12-month period<sup>21</sup> has enabled us to follow their ups and downs, finding out how they came to live in poverty and, more importantly, understanding some of the factors that keep them there. We’ve talked to them about their communities and prospects for work and seen for ourselves the shocking housing conditions in which some are forced to live. We’ve found

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<sup>21</sup> January 2008 – January 2009.

out about their views on spending and borrowing, price increases, the recession and the struggle to keep warm in winter.

It was important for us to go about the research in this way. Very often, research into poverty addresses the scale of the problem at a single point in time. This report aims to convey the lived experience of poverty. By following our families for a year, we have been able to capture unique aspects of their lives, providing a better insight into their needs and aspirations, and the kinds of support they will need to help them escape their situations.

Although this report draws on the experiences of all 16 families in our study, we have chosen to tell the stories of six families in detail. In doing so, we want to show two particular aspects of the experience of poverty that we feel are vital to understanding its overall impact on families and how they might escape it: debt and persistent poverty.

The first two chapters of our report present detailed family studies that depict the lives of the six families as the year progresses. **Chapter one** illustrates how a family without assets to draw on can quickly be caught in a downward spiral of ever-increasing debt and how this can increase the risks of remaining in poverty. The family stories presented in **Chapter two** indicate some of the other factors that

contribute to persistent poverty<sup>22</sup>, such as childhood experience, health, household make-up, job markets and gaps in education or skills. The stories underline how remaining in poverty over a long period can affect the mental health and wellbeing of parents and their children and harm their chances for the future.

**Chapter three** is dedicated to the children in our study. It shows that despite the shocking conditions in which some of them are growing up, these children demonstrate remarkable resilience and determination. Their resourcefulness and ability to cope serve to underline their potential contribution to society. What they need are the right opportunities. This chapter raises important questions about the legacy of poverty, not just for individual children and their life chances but also for us, as a society that permits the perpetuation of child poverty.

In **Chapter four**, we explore the barriers that families face trying to escape debt and persistent poverty. Chapter five draws together our conclusions.

Without exception, every family taking part in this research wants to escape from poverty and a life living on state benefits. This report has significant implications for the Government's drive to eradicate child poverty by 2020.

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<sup>22</sup> The Department for Work and Pensions *Households Below Average Income* series defines persistent poverty as being in income poverty (below 60 per cent of median income after housing costs) in at least three out of four years.



In 1998/99, child poverty in the UK stood at 4.4 million children (using an after-housing costs measure) and 3.4 million before housing costs: one of the worst rates in Europe. At that time the Labour Government made a bold and historic pledge to the nation's children: to halve child poverty by 2010 and to end it by 2020. Since 1998/99, about 500,000 children have been lifted out of poverty – a great achievement – but on current policies there is little prospect of the Government meeting its 2010 target. The estimated £4 billion cost of meeting the 2010 target<sup>23</sup> is small compared to the estimated £25 billion that poverty costs the UK each and every year in reduced educational opportunities, lower productivity, increased spending on social security, and lower tax revenue<sup>24</sup>.

We are pleased to be able to provide some glimpses of the lives of the families in the following pages. We believe that this report depicts them not as representatives of some notional 'underclass', but rather as


the ordinary people they are, each with their own, very individual and important stories to tell.

### **Note about the study**

The research took place during one year, from January 2008 to January 2009. A more detailed description of how we went about the research is given in the Appendix. The information provided in this report is based on the families' perceptions of their situations. Much of the financial data was gathered through regular financial assessments and the collection of receipts, but it is in the nature of such research that not all the financial information we were given could be independently verified. For example, it was not always possible to obtain accurate records of income and expenditure where there was an inadequate paper trail. This was often the case with regard to deductions made from benefits at source or to loan arrangements with home credit companies. The report should therefore be read with these provisos in mind. All names in this report have been changed in order to protect the identity of the participants.

<sup>23</sup> Brewer M, et al (2009) *Poverty and Inequality in the UK: 2009*, Institute for Fiscal Studies. The IFS analysis, which takes account of the Budget 2009, shows that child poverty needs to fall by 1.2 million to meet the Government's target of halving child poverty by 2010 (on the before-housing costs measure). On current spending plans, the Government is likely to fall short of this target by about 600,000 children unless it can invest approximately £4 billion in taxes and benefits before the 2009 Pre-budget Report.

<sup>24</sup> Hirsch, D (2008) *Estimating the Costs of Child Poverty*, Joseph Rowntree Foundation.



# Chapter one: Poverty and spiralling debt

This chapter looks at the lives of three families in our study. It shows how initial problems with cash flow can spiral quickly into severe debt. The families tell us how they feel about their situations and describe how they still hold on to aspirations for the future.

The first two stories illustrate the very different circumstances which can lead families into poverty and the incremental effect as their circumstances become more severe over the year. These two families are at high risk of tipping into persistent poverty if their situation is not eased. The third story describes a family that has been living on a low income for years, gradually being sucked into a cycle of debt from which it is almost impossible to escape.



## Ralph

*'You get people saying that you should be out working as well as looking after your kids... but in the old days you looked after them... the woman looked after the family while [the man went out to work].'* Ralph.

Ralph (36) is very anxious that his girls' futures should not be blighted by their current circumstances. He says they have been given a hard time by their friends because they are living on benefits. He has five girls. The eldest, Kim, is now 17, followed by Louise (16), Mandy (13), Natalie (11) and Wendy (seven). He has cared for them on his own since his wife died in late 2005 and is clearly devoted to them, their welfare being his greatest priority.

Ralph's weekly income is £290 (after housing costs), £112.38 below the poverty line<sup>25</sup>.

The family lives in a four-bedroom council house just outside a small town. At the beginning of the study, around 4 per cent of the local population were unemployed, with just over one-third of these being long-term unemployed.

Ralph grew up in residential care from the age of three to 14 because of parental alcoholism. He then went to live with foster carers until he was 17, when he left and found his first job. He worked consistently until 2005.

### Work and qualifications

Ralph would really like to return to work but his concerns are how he



can effectively balance work with his family responsibilities, particularly as one of his children has an ongoing health problem that requires him to be available during the day:

*'I know people do work and have kids but if I work and I get phone calls [from the school regarding his daughter] I'd have to leave work and where I was working, I'd be sacked for bad time-keeping.'*

As a semi-skilled engineer, Ralph had been in the same job for 11 years. When his wife died, his boss told him to take the time off he needed, but that was four years ago and, because he felt he needed to care for his girls full time, he hasn't returned. He had hoped that there was still a job there for him but he thinks that his old role may have disappeared because of technological progress. Any hopes of finding a different job have all but disappeared given the widespread redundancies in the area as a result of the economic downturn.

<sup>25</sup> The Government poverty line is currently calculated at 60 per cent of median average income. See note 3. For a single adult, plus two children over 14 and three children under 14, the poverty line for this family is £402 after housing costs. This is based on Government poverty line figures for 2007/8: Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.



Ralph was never given the opportunity to do GCSEs at school but he did his City and Guilds in Engineering. He wished he'd had the chance to do GCSE maths because he feels this is

a really important qualification.

While working he achieved NVQs 2 and 3 in production engineering and has recently completed a Key Skills English course. In September 2008 he started City

and Guilds courses at a community centre. He would like to study for GCSEs but this would involve travelling by train to college, which is too costly. Also, his daughter's medical condition means he needs to stay within easy distance of her school so that he can pick her up if necessary.

### Sources of support

Ralph was very grateful for the support of his community and his work colleagues when his wife died but, in general, he does not ask for help from friends or family. He and the girls have used a Barnardo's bereavement service for counselling but Ralph likes to try to deal with things himself and is often reluctant to confide in others, largely because he feels he should be able to cope on his own.

### Social life, entertainment and leisure

Ralph does not really socialise, or go out, although he does have one close longstanding friend. He thinks it's hard to have a social life when you're not in work and hopes that once he is working again, he will have more friends. The girls keep telling him to go to the cinema but he won't go by himself:

‘...when they're off [school] you've to make their lunch and their dinner... it all just adds up.’



‘it's not fair on them... I shouldn't be spending the money, it's not right.’

Living on a low income means that it is too costly to go out as a family. For example, he could not afford a trip to the cinema for them all so instead he tries to provide entertainment for them at home. On a Friday night he rents a DVD and buys some sweets from the supermarket. He tries to find different ways to economise:

‘I don't even let... that sounds stingy [stingy]... but I don't let them [the children] go to the ice cream van either. I buy all their ice-creams in [in the supermarket] you get six for the price of one.’

Ralph doesn't have spare spending money for himself and doesn't drink or smoke. The one thing he does pay for is satellite television. He says that because he is living on benefits people might regard this as an unnecessary luxury, but that if the family didn't have that, there would be nothing else to do.



### Health issues

Ralph's fourth daughter, Natalie, has a medical condition that is difficult to manage, and Ralph often gets called in to collect her from school. This limits his ability to go anywhere far from home during the day and presents a considerable barrier to returning to work.

### During the year

Ralph is very good at saving in order to spread the impact of costs that occur at particular times of the year. After April he started to save £10 a week for the school uniforms he would need to buy for them all in September. He receives a School Clothing Grant (SCG) but this does not come close to covering the actual cost. This year, all pupils needed newly designed tracksuits costing £45 in addition to the other PE kit, which was £43. After the SCG of £65 per child he still needed to find the £23 outstanding for each full sports kit and then the cost of their school uniforms on top of that. He feels that added financial pressure is unnecessary and this makes him feel angry:

**'Why do they need a designer make of PE kit for £45 when you can probably pick one up... without a label for £13, you know what I mean? [They] don't need these labels... then that clothing grant would probably do them.'**

Over the summer months he usually tries to buy a complete uniform for one child every fortnight, but this leaves him with a shortfall in his weekly spending.

In July/August the family didn't have a holiday and, apart from visiting the town centre, they did not go on any



family trips throughout the summer. Finances were limited because of the extra money Ralph had to spend on providing lunch and he worried about the quality of food he was able to provide:

**'You go... and you spend all this money and you don't really have much shopping to show for it... you don't have a lot of dinners, which I find amazing and you've got to go [again] and buy a pile of stuff 'cos when they're off [school] you've to make their lunch and their dinner... it all just adds up.'**

Ralph talked about the noticeable increase in food prices during the period of our study. As an example, he said that rice had gone up from £1.37 to £1.99. A packet of value mince had also risen by 70p. He said that he no longer buys the cheap frying steak and pork chops that he used to because 'it's a big whack, it's like a tenth of your [budget] for your shopping'. He said that he also struggles to keep up with the endless stream of toiletries and other goods needed by five growing girls.

Over the summer, Ralph was forced to apply for a budgeting loan of £900 from the Social Fund, most of which he used to buy a new settee and children's clothes, though he used some on expenses when his daughter had

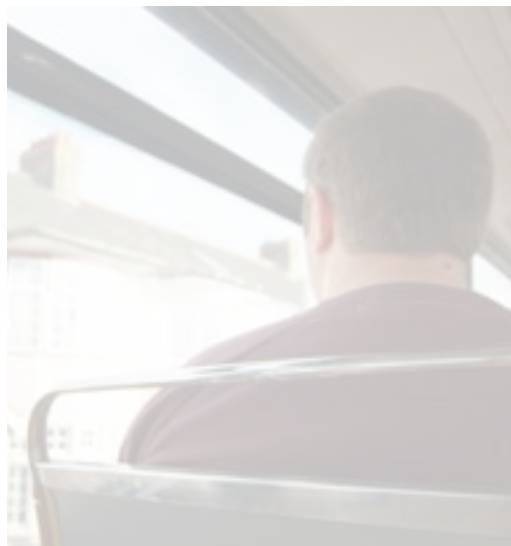
to go into hospital unexpectedly. Payment for the debt was to be taken out of his income support at £10 per week. He says that the Social Fund is his only means of buying

the things the family need without resorting to a home credit company:

**'It's a loan but not the same pressure... the good thing about the Social Fund, the money – they take it all out [at source] so you don't have to worry about going down and paying the bill.'**

In September 2008 Ralph started to put away his Widowed Parent's Allowance, which is £50 every Wednesday, ready for Christmas and hoped for no unexpected expenses. The school asked him to pay £10 for each of the girls for cooking materials. He also saved £45 for a three-day school trip for Louise and gave her the money on a weekly basis to hand in to the school. Later he discovered that she had carried it around for weeks in her bag until she had the full amount. She did not want the school to know that he could not pay in one instalment.

By November 2008 the price of energy had gone 'berserk'. In winter, Ralph was putting up to £25 a week into the gas meter. This rose to £30 during the coldest winter months. He had to limit the gas heating to one hour in the morning and two hours at night.



Also in November, Ralph took on a catalogue for the first time:

**'It just kept coming through... [the adverts through the post]... so I got it. I was getting holes in the soles [of my shoes] and the water was getting in.'**

Ralph was surprised to be offered a catalogue:

**'cos they do a credit check on you... I was surprised actually when they told me, "alright, that's okay, you've got it".'**

In December, before Christmas, Ralph had problems with the catalogue company asking him to spread his payments over a three-year period instead of paying more quickly under his current payment scheme. He worked out that this would cost him an extra £70 in interest overall. Although he said 'no' to the company, he agreed to them sending some literature about it. They sent out some paperwork but then billed him for the reduced payment (£7 instead of £35 per month) according to the 'new' arrangement that he had not agreed to. Spending a great deal of time on the phone failed to rectify this.

### Financial situation

Ralph does not like to borrow money. He prefers to live within his means and only spends what he has budgeted for. Previously he has had a loan from the Provident<sup>26</sup> and was horrified at the high level of interest which he paid back: 'It was scary and it kept me awake at night'. When he was working, Ralph would have been able to get interest free credit from shops to buy larger items such as furniture or white goods and pay it off in instalments. Now he is on a low income, he no longer has this option.



Ralph is not able to get a bank account. He has tried every bank in his home town but has been told he cannot open an account unless he can provide a driving licence or a passport as proof of identity. He has never learned to drive and has not been abroad since he was 17 years old.

Lacking a bank account has a number of knock-on effects. He has lost confidence in his ability to manage money in this way and one of his concerns about returning to work is that he will have to change the way he manages his finances. He has no access to an overdraft, which would give him a financial cushion in an emergency<sup>27</sup>. He lives on such a tight budget that any small unexpected expenses become major difficulties. Ralph likes to pay for things on a weekly basis as he finds it difficult to keep the money put aside for bigger bills. However, he knows that he often pays more as a consequence:

**'I think it actually does cost you more money... I think they might even tell you it costs more money... if you read the small print.'**

He routinely pays more for bills because he cannot pay by direct debit. This is because companies charge more for handling and it costs him £1 to pay a bill by postal order. Ralph is also aware that he pays more for his gas and electricity than other customers because he uses a prepayment meter.

### The future

**'All I want to do in five... years is have a job somewhere... I would want a job but where do I get one? I don't know.'**

Although he would dearly love to return to work, Ralph is not optimistic about finding work locally and feels that the longer he stays in this situation the more difficult it will be for him to get back to work. He actively encourages his children towards university; he would much rather they did this than go straight into a job, especially considering that there are so many people looking for work. He says he does not want his children to live on benefits when they are older. He has told them they must get a good education so that they can 'get a good job, nice house and a car'.

<sup>26</sup> The Provident is a home-collected credit company offering small, unsecured loans and other related products: [www.providentfinancial.com](http://www.providentfinancial.com)

<sup>27</sup> Many major high street banks offer 'buffers' of up to £250 overdraft at no interest.





### Huiliang and Chenglei<sup>28</sup>

Huiliang says that when she first explained about the research to her husband he was worried about her taking part in case people thought he could not provide for his family.

Huiliang (28) and her husband Chenglei (31) came to Britain to seek asylum from China and after four years, they have recently been granted refugee status. They have two children, who were both born in the UK. Their son, Gui, is four years old and has autism and their daughter Changying is three years old.

As soon as the family were awarded refugee status, all their welfare payments were suspended while they were reassessed. When we first met the family, the only income they had was Chenglei's take-home wage of £170 per week. After paying the rent of £110 they had a total of £60 a week to live on. They struggled to buy enough food and pay for electricity. It took 12 months for the family to receive all the benefits to which they were entitled.

#### Family background

It took four years for Huiliang and Chenglei's asylum claim to be processed and during that time they had to live apart. This was a difficult time, especially given their son's extra support needs. Once granted refugee status, they were rehoused as a family in a two-bedroom flat within a sheltered accommodation complex.

Huiliang does not speak any English but is now attending college one day a week in order to learn and Chenglei



has learnt a little through working. The children are being brought up to be bilingual.

#### Social life and support

This family are socially very isolated. The main support they receive is from each other, although they have some help from a local Barnardo's service, which has put them in touch with Sure Start and other voluntary organisations. They also appreciate help from the children's health visitor.

Their relatives all live in China, so they have no local network of support to draw on. Huiliang made some friends early on, but she cannot afford to see them often as they live on the other side of the city. The family has not made any friends in the new area and find that it is hard to do so because of the language barrier.

The mobile phone is a lifeline for Huiliang and Chenglei to keep in touch with each other during the day, but also for them to phone home to China. They particularly value this contact as a source of support and advice on parenting.

<sup>28</sup> Interviews with this family were conducted through an interpreter and for this reason we do not provide direct quotes.



### **Leisure and activities**

In the summer Huiliang and the children are confined to the flat for most of the time. Apart from going to the park or going on the occasional outing with a support service, they do not go out at all. This is largely because Gui can get very stressed and anxious when they are away from home. The family do try to go swimming once a month but their opportunities to do this are limited, as Chenglei works six days a week.

### **Health issues**

Gui's autism means that he attends a special school. In April 2008, he had to go to hospital after he was seriously burned when he climbed up onto the kitchen counter. Huiliang had constantly been worried about how close the sofa was to the cooker because their kitchen and living areas were open plan and very small. It was very hard to watch Gui all of the time. The family reported this to the housing provider and applied for a house move for safety reasons as they didn't feel that they could adequately protect Gui from future accidents.

As the research progressed, the family were eventually rehoused to a larger flat, but it was damp. Gui developed a very bad cough and Huiliang became concerned that this was a result of their damp housing.

During the course of the year the children needed several medical appointments. The timing of the appointments is a problem for the family, especially if Chenglei has to take unpaid time off work to help with the children.

### **Transport costs**

The family's hospital visits led to significant transport costs. It is difficult for the family to find their way around



by bus because of their limited English and taxis are expensive. Huiliang recently spent £30 on a taxi round trip taking her daughter to hospital on the outskirts of the city. If they had known, they could have got a bus into town (20 minutes) and a bus out of town (30 minutes) that would have dropped them right outside the hospital; the total costs would have been £5.20. One of the family's aspirations is to have a car so that they can reduce these costs over the longer term.

### **Financial situation**

The family cannot afford to buy clothes here and have to get them sent over from China. They would like to follow a traditional diet but it is too expensive for them to buy food from the Asian supermarket. They manage to eat fresh fish once a month. Huiliang tries to ensure that there is always enough food for the children, but often she and her husband have to go without.

The family spend £5 per week on the lottery. Huiliang doesn't like to do this as she thinks this money would be better spent on the children. She often gets annoyed about it, but when she asks her husband to stop, he refuses. Chenglei insists that if they won, it

would solve all their problems; there would be less stress on the family because he could work fewer hours and have more time with his family at home.

### During the year

From January to May the family were living on just £60 a week as they waited for their benefits to be processed. They ran up rent arrears of £2,000.

In May 2008 they eventually received Gui's Disability Living Allowance (DLA) and a backdated lump sum of £1,100, but even after putting all of this towards rent arrears of £2,000, it still did not clear the debt. They then used the £40 weekly DLA payment as all they could afford towards the rent, which had increased to £114 a week. Their entitlement to other benefits and tax credits were not yet resolved.

Huiliang said Chenglei would really like to extend his working hours to earn more money, but he was not able to because of a curfew in operation at the housing complex that meant he had to be home by 11pm. As he works in a Chinese takeaway that stays open until the early hours, this was very frustrating for him.

In June the family at last received housing benefit of £28.23 per week towards their weekly rent of £114, so this still left them with £85.77 to pay. At least they were able to clear the arrears with the backdated award. They also received Working Tax Credit and Child Tax Credit, which helped to ease their situation a little.

In October, the house move came through and they were relocated into a three-bedroom ground floor flat in the same sheltered complex. Although larger, the flat was damp and the family



could not afford to heat it. On moving, their housing benefit was automatically stopped and they were told that they would have to make a new claim.

Huiliang and Chenglei also discovered that there had been some miscommunication about the 11pm curfew and that this only actually applied to visitors to the complex. The night porter was apparently quite happy to 'buzz' residents in at the door after 11pm. They were devastated to think of the working hours that Chenglei had lost because of this.

It took until November 2008 (a total of 10 months) for the Child Benefit to come through. This was not backdated as it should have been<sup>30</sup>, meaning that they missed out on £313. When we visited in November, the new housing benefit claim had still not been processed.

In January the family were once again receiving housing benefit but had been told that they were previously overpaid. They would therefore have to pay back the arrears as part of their rent, which was now £130 a week. Gui had developed a very bad chest and cough and they were worried that this was due

<sup>30</sup> On contacting the Department for Work and Pensions (DWP) we were told that Child Benefit should be backdated to the date that an asylum-seeking family with children was given refugee status.

**Table 1: Showing variations in the family's income over the year**

	Income (after housing costs)	Below/above the poverty line of £279 after housing costs	Impact on the family's finances	Impact on family life
Jan – May 2008	£60 (take home pay £170, less rent of £110)	–£219	Run up rent arrears of £2,000	Chenglei works six days a week; no money for outings; transport costs for hospital visits difficult – £30 per round trip
May 2008 Get son's Disability Living Allowance (DLA) of £40 per week	£100 (take home pay £174; DLA £40; rent now £114 per week)	–£179	Backdated DLA £110 but not enough to pay off rent arrears	Chenglei tries to increase his working hours but is mistakenly informed that he can't due to the 11pm curfew at the housing complex
June 2008 Get housing benefit (HB), Working Tax Credit and Child Tax Credit	£325	£46	Able to start paying back rent arrears with backdated HB award	Situation is easier for the family
October 2008 Family move house – HB stopped	£297	£18	Without HB the family cannot afford the heating bills	Flat larger but damp and costly to heat
November 2008 Start getting child benefit (not backdated)	£190 (No HB results in having to pay £114 rent for six weeks)	–£89	Once again they start to run up arrears on the rent	
January 2009 HB reinstated – Family get all their benefits	£333	£54	Paying back arrears on rent	Living in a damp flat has affected Gui's health; he has a bad chest and cough

Table 1 above shows the dramatic variations in the family's income, from enduring living £219<sup>29</sup> below the poverty line for almost five months to being £54 above it 12 months later once they had got all their entitlements. The negative impacts on the family are clear.

<sup>29</sup> Based on Government poverty line figures for 2007/8 Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

to the damp in the flat. The researcher noted that there was a significant amount of mould growing on the walls.

**The future**

It is very important for this family to feel self-sufficient. Chenglei is a proud man and is working hard to better their financial situation so that they can stop claiming benefits and live on his own earnings. Their priorities are to save towards their children's education, establish a Chinese takeaway restaurant and eventually buy their own home.







## Gary and May

*'I pay [gas and electricity] in cash... I get charged £280 a year more for having them there meters [card/key]... People that pay by direct debit get a discount. But I pay in cash... I never get a bill so I should get a discount... But it's like speaking to a brick wall speaking to these people... They get the poor people all the time. People that can't afford to pay standing orders because they haven't got bank accounts, they're the people who get shafted.'* Gary.

Gary (47) and May (39) live in a three-bedroom terraced house on a large council estate in Scotland. The council estate is well-looked after by its residents but is poorly served by local services. The school is a half-hour walk away and the estate is not on a bus route.

Gary and May's children are Caroline (13) and Andy (nine). Caroline has dyspraxia and mild learning difficulties.

Both Gary and May left school with no formal qualifications. May went straight into a job in a factory where her father worked. She was happy with this as jobs were scarce and the wages were good because it was shift work. The factory closed down after May had worked there



for 10 years. She had her first child shortly afterwards and never found another job.

Gary started work at 15 as a charge hand in a hospital. He has also worked in a factory, a warehouse and as a labourer on a building site, but has been out of work for several years now. Where they live is one of the areas of highest deprivation in Scotland<sup>31</sup> and there is little unskilled work available after the decline of local manufacturing industries. Gary describes how one employer has been laying people off and the nearby supermarket is shutting down:

*'There's no jobs out there, I mean there's nothing. [Place name] is a ghost town... all you've got left are the bookies, hairdressers and second-hand shops. That's all there is in [Place name] now, and junkies! We're being taken over... there's just no jobs... they're laying off from the building site, laying off from every place... but, hopefully next year things can only get better.'*

<sup>31</sup> The deprivation score for the area is in the highest quintile of Scotland's multiple index of deprivation. The *Scottish index of multiple deprivation* (2006) combines a number of indicators, chosen to cover a range of economic, social and housing issues, into a single deprivation score for each small area in Scotland.

Gary feels that the way to get a job is through local contacts, very often within the family:

**'Family, family, family. As I say, you've got to know somebody to get in the job.'**

They describe their situation as:

**'Very depressing at times... get awfully depressed and have a lot of arguments as well... just about money.'**

Gary really wants a job. They think it would improve their relationship if he was out of the house during the day. Gary currently does voluntary work at a local charity shop to give them both a break, but also as a way of getting references to improve his chances of finding work.

#### **Leisure activities**

Neither go out in the evenings together because they can't afford it, although Gary occasionally goes out for a pint with his friends. May says they just accept that they don't have money to do things. They feel guilty that they're not able to pay for the children to pursue any interests or activities.

Gary and May grew up in the area and May went to the same school as their children. The family rarely leave a radius of 1.5 miles around their home.

#### **Financial situation**

At the start of the study, the family received £225.75 per week (after housing costs) in benefits and were £53.13 below the Government poverty line. As of February 2008, they received Disability Living Allowance and Carer's Allowance for Caroline, which



increased their income by £35 per week, bringing the total weekly family income to £260.75 – still £18.13 under the poverty line for a family of this size.

Food for the family is bought on a tight budget and they economise by buying from the discount aisles at the supermarket. Sometimes they get free bread that has gone past its best before date. They also buy food cheaply from a pub in town that sells on what it hasn't used. May says that if they had more money, one of her priorities would be better food in the house 'not that cheap, horrible food we've got'. Gary buys clothes from the charity shop where he works and is always pleased to come home with a bargain. The children prefer to get theirs from cheap high street stores.

#### **Debt from loans**

Looking solely at the family's income does not give an accurate picture of this family's financial situation. Their disposable income is significantly eroded by repayments on a number of loans. At the start of the research they had five loans with the Provident. Repayments at January 2008 were:

Amount borrowed	Per week	Number of weeks of loan	Interest to be paid in total	Amount to be repaid	APR(%)
£300	£9	55	£195	£495	177.82
£100	£5	31	£55	£155	367.08
£200	£6	56	£136	£336	184.05
£300	£9	55	£195	£495	177.82
£300	£9	56	£204	£504	184.05
Total: £1,200	£38		£785	Total to be repaid: £1,985	

**Table 2: Loan account with the Provident, January 2008**

The total interest to be paid on these loans of £1,200 amounted to £785 over a little more than a year.

Gary and May first got involved with the Provident when they were desperate for some extra money to spend on the house and to pay for Christmas. They received a letter and responded to it. Gary said it was so easy to get a loan.

The Provident knew both he and May were not working but were quite happy to lend them money and the woman was very helpful. She offered them a 'book' each and told them they could take out more money whenever they needed it. Gary knew the interest rates would be high but with Christmas coming up they didn't feel they had a choice: 'You can't get the money any place else, you can't go to a bank'. They didn't know quite how high the interest was until they got their books and found out they would be paying £40 per week. Realising they would struggle to afford this, they phoned the Provident and

negotiated to pay £20 a week instead. However, when they saw the local representative, she asked them to keep the payment at £40 as otherwise she would lose commission.

In September 2008, the Provident representative offered an additional loan to consolidate their existing loans and borrow more. They have now each done this twice on their loans. The amount Gary has borrowed is now £800 and he will have to pay back £1,638. May's total is now £900 and she will have to pay back £1,842, a total household debt of £3,480.

**You can't get the money any place else, you can't go to a bank.**

Gary explains that Provident loans are so tempting because they can literally produce cash in hand for customers instantly; it's very difficult to turn down instant cash when you are desperate. He says that he just put the repayment issue to the back of his mind and thought 'I'll deal with that later'. He and



May prioritise these payments and have never missed one.

With Christmas approaching, Gary expected the Provident representative to visit and offer another loan to pay off the existing debt with a sum left over to pay for Christmas. He was determined to turn it down:

**'I don't want to go that way again. I want to get that cleared. I would rather not borrow at all but just have to, to stay alive.'**

In the past they saved for Christmas with the Farepak scheme but they lost £500 when it collapsed. They told us that they would never use a club like that again.

#### **Other debts**

Gary also has a budgeting loan from the Social Fund, which he is paying back at £13 per week, deducted automatically from his Job Seeker's Allowance. He also has rent arrears of

£450 that are being deducted at source.

He thinks that they take £3 per week for that but he also has to pay an additional £25 a month on top,

otherwise he would receive an eviction notice. He has been paying back those arrears for a year and a half.

Gary and May have also run up debts with catalogues. They currently have two catalogue bills for household appliances and furnishings. They will repay £19.25 per month and £12.30 per month until the debts are settled. They bought the items through a catalogue because it offered 15 per cent off for new customers and because the debt could be paid in instalments.



#### **Prepayment fuel meters**

Gary and May pay for fuel with prepay meters. The meters were already in place when they moved in so they didn't have any choice about method of payment, but Gary says they wouldn't have it any other way. This is because they would find it difficult to manage monthly bills; he would rather pay as he uses and not be faced with a big bill. Gary's mother sometimes helps them out by topping up the meter when things get really tight. On one occasion during the year they ran out of electricity and had to sit in the dark and cold for two days. A benefits advocacy worker eventually came to their rescue and gave them some money to top up the meter.

Gary is very aware that his yearly bill is significantly higher than other customers' and he is angry that they are penalised for paying this way.

#### **Financial services**

Gary and May have tried several times to get a bank account but cannot do so because they have neither passports nor driving licences and the banks will not accept any other form of identification.

**'I would rather not borrow at all but just have to, to stay alive.'**

The Post Office account they have is solely for benefits and does not enable them to make other payments out or to save. They rarely have money to save, but when they are trying to put some aside to buy something specific they give it to friends to look after. They do not have any form of pensions or insurance.

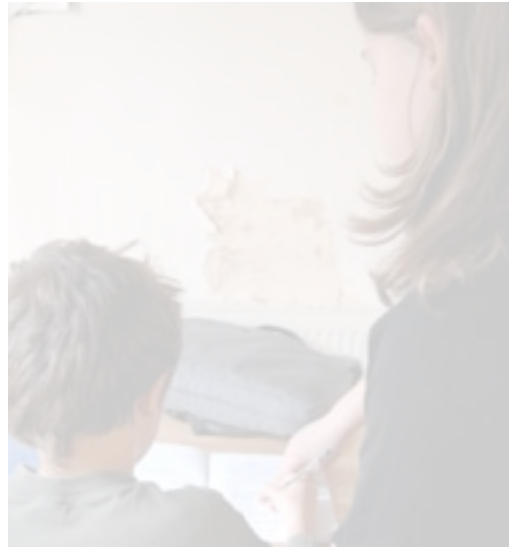
### During the year

In April 2008, the family was awarded a Family Fund<sup>32</sup> grant of £400 to pay for their first ever family holiday. However, they were subsequently forced to use the money for a new fridge freezer and a cooker. Their old fridge was bought second-hand and did not last six months.

In May, Gary took up a 13-week unpaid work placement painting and decorating. This was organised by the benefits agency so that he could gain training and experience. Gary felt enthusiastic about the placement and hoped it would provide him with good references.

When we visited the family in December 2008 the washing machine had broken and they had been without it for 10 weeks. They had applied again to the Family Fund, but had not heard anything. In the meantime they had been taking all their washing down the road to May's mother.

To avoid taking on another loan, Gary wanted to find some part-time work to help fund the cost of Christmas. But the benefits agency had advised him against taking one of the temporary jobs that come up in retail around Christmas because it would affect his benefit claim for three months afterwards.



The adults didn't exchange presents at Christmas. Gary said:

**'Christmas is for kids anyway. As long as I see the kids smiling on Christmas morning, I'm quite happy about that.'**

### The future

Gary will continue with short-term, voluntary work placements, but ultimately feels there is no work available locally:

**'Job-wise, I'd love to be working now, but there's no jobs. My friend's been working in the dole office for 19 years; he just got made redundant from the dole! I'm desperate to get a job but there's nothing.'**

Their situation is compounded by the fact that they would both have to find work at the same time in order to compensate for the loss of benefits. They could not afford for one to work and not the other. Gary's other concerns are that he doesn't have a driving licence and this is also a barrier. He worries that, approaching 50 years old, his age is now against him.

<sup>32</sup> The Family Fund is a registered charity which makes grants to families who have disabled children and who live on benefits or on a low income.





## Chapter two: The persistence of poverty

This chapter presents three more family stories that depict persistent poverty and untangles some of the factors that contribute to it. It describes what persistent poverty means for each of these families, showing the impact of poverty experienced over the long term and how it can become progressively more difficult for families to escape from.

In this report, we define persistent poverty as living in poverty for at least three out of every four years<sup>33</sup>. Those most at risk of persistent poverty are children, lone parents, workless households and people who are disabled or in poor health. For children, the risks of persistent poverty are increased by having a larger number of siblings, living in a one-parent household or living in a household headed by an adult with low educational attainment. Growing up in a household in persistent poverty leads to a high risk of poverty in adulthood<sup>34</sup>.

<sup>33</sup> The Department for Work and Pensions Households Below Average Income series defines persistent poverty as being in income poverty (below 60 per cent of median income after housing costs) in at least three out of four years.

<sup>34</sup> Smith, N; Middleton, S (2007) *A review of poverty dynamics research in the UK*. Joseph Rowntree Foundation, York.





## Jane

*'I feel bad because my kids can't have what other kids have... it's not their fault... and I sit and worry about things like that which gets me depressed too.'*

Jane (32) is a lone parent living in a deprived area with her five children, aged between one and eight years old. Jane gained good grades at GCSE, but was unable to take up further education. She subsequently worked in a series of low-paid jobs before gaining part-time employment in the civil service.

After the birth of her first child, Jane stayed at home to raise her family. She and her ex-partner had four children together before the relationship ended. He has since provided no practical support or paid her any child maintenance, despite being in full-time employment. Jane's formal attempts to pursue him for maintenance have been unsuccessful. She had her fifth child with a new partner, James, and they remain in a relationship although he has never lived with her. He is employed and contributes child maintenance towards the care of their child. They would love to be able to live together as a family, but if they did so Jane would lose entitlement to some of her benefits and James's income is not sufficient to make up for the loss.

### A large family with young children

Jane feels that most families in her area live in similar financial situations. What makes life financially more difficult for her, she says, is having five young children.

Jane does feel some pressure to have the same things as her friends and



neighbours. However, she says her children understand and accept that they cannot have all the toys that some of their friends do. She believes that the positive aspect of this situation is that her children are not materialistic or spoilt.

Jane has said that when her children all reach school age, she would like to work part time. She feels she could not work full time because of the cost of childcare for five young children. She worries that even working part time may not be a realistic option. Jane estimates that she would need to earn at least £400 per week to cover all her present outgoings and adjust for the loss of benefits, such as housing benefit. She also feels that she would not be able to meet the increased childcare costs during the long school summer holidays.

Being at home for the children is important to Jane. She believes that as a lone parent, having to work full time would prevent her giving the children the quality of care she wants to provide.

### Growing up in poverty

Jane passed the 11-plus exam and was accepted for grammar school.

Despite her father's ambition for his children, the family could not afford the fees<sup>35</sup> so she went to the local comprehensive instead.

**'My mummy always had to watch every penny too, dear love her, she always used to scrimp and save and she would always try to buy us the best of stuff that we always wanted too.'**

Jane has long harboured the ambition to be a primary school teacher, but did not complete the sixth form due to family breakdown. She says she would

still like to take some A-levels but feels that there are additional barriers for her in trying to become a teacher, especially the practical difficulties in finding childcare for her five children.

#### **'Pay as you view' TV**

At the start of the study, Jane was paying for a sofa through a metered box on her three-year rent-to-buy television set. She says moneylenders regularly advertise the purchase of household goods through rent-to-buy television sets and that this type of scheme is very common where she lives. Jane had already paid off a £1,200 loan in this way. In order to cover the cost of her purchases, Jane was paying £1 for one hour of television viewing.

After Jane got rid of this loan system, the money collector from the TV loan company offered to put a money box on Jane's own new TV so that she could pay off her existing loan balance. Jane refused, telling him it was her own television.



#### **Essential items**

Jane describes feeling 'forced into debt' to give her children a decent life. When her fridge broke Jane telephoned the relevant benefits office to request a crisis loan. She was refused on the grounds that a fridge was not a necessity but a luxury. She was advised to put the bottles of baby milk in a bucket of cold water and set them outside. She considered applying for a budgeting loan but this is a lengthy process and she needed a fridge urgently, so bought one through a friend's catalogue. This could be paid back on a weekly basis; however, Jane will pay considerably more for the fridge this way than by buying one from a high street retailer.

Jane says she is definitely feeling the impact of the economic recession:

**'The cost of living has risen and my money hasn't, I mean gas and electricity, I'm having to put £5 in a day [for each].'**

Previously Jane was spending £35 per week for gas and electricity combined,

<sup>35</sup> In Northern Ireland, grammar schools are technically free state schools but may nevertheless charge a 'school fee' which varies at the school's discretion.



whereas in these recent winter months she has been paying £70 per week. She says:

**'It means money's coming out of the food budget to go on the heat and on the electric.'**

When an unplanned bill or expense comes in, Jane's first reaction is to; 'panic... I'm being truthful with you, I do panic'. She explains that in these situations she makes sure her children have good, nutritious food to eat, but cuts back on food for herself, for example, by eating toast instead of a main meal. She says:

**'I watch every single penny that I have... I mean I've seen times where I haven't had enough to buy food for me and the kids... I would give my kids before I would give myself or I would take maybe a slice of toast and give them 'uns the proper meal... I mean they need nutrition before I do.'**

### Debt

Jane and her family live on benefits. Jane relies heavily on a number of loans with repayments totalling almost £150 per week, or almost half her weekly income. Her lack of money and worry about debt often make her feel down.

To repay her loans, Jane describes how she has to economise in other areas. If she is short of cash, Jane will cut down on her electricity use so that the card meter lasts until the weekend. The electricity company will not cut off the supply over the weekend so this means she can last until Monday before topping up. However, this does mean that she starts the next week in deficit.

Jane says that people on benefits are targeted by money-lending companies,



especially around the Christmas period. She is presently paying back debts to the Provident for Christmas presents at what she calls an 'extortionate' level of interest. Jane takes out loans in January each year to offset the cost of Christmas and also to buy presents for her children, who have birthdays then.

Jane knows that when she has sufficiently repaid her loans, she can renew them. Towards the end of 2008, she explained how she would be able to renew two loans, one for £600 and the other for £350, which will cover the cost of Christmas.

Jane is aware of living in a 'cycle of debt' but feels she has no choice in order to provide a decent home and standard of living for her children.

Jane describes how she lives every day as it comes, tries to keep a positive attitude and is determined to get out of her situation. But though she would love to be able to wipe her debts clean she says:

**[I] 'borrow, borrow, borrow. It's so easy to avail of it, they tend to give it more**

**'I mean I've seen times where I haven't had enough to buy food for me and the kids...'**



to people on benefit... I mean I can get credit no problem and I've got it... I've got a lot of debt and I'm not... ashamed of it... 'cos everybody has debt. If somebody says they don't have debt they're telling lies... I am careful with my money and budget well. I pay all my bills and even though I have a lot of debt, I pay it.'

### School uniforms

In summer 2007, due to a change of school uniform, Jane could not pass school clothes down from one child to the next as she usually would. Instead, she had to apply for a budgeting loan. But because she had reached the maximum limit on her current budgeting loan she could not borrow again. Her plan, if she was still not eligible for a budgeting loan by summer 2008, was to see if any of her other private loans could be renewed instead.

Paying for school uniforms was a constant worry for this family during the year of this research. At the time of our research, there were no clothing grants for primary school children and Jane found it very expensive to meet these costs with such a large family<sup>36</sup>.

### Mental health

Jane was treated for depression for six and a half years caused by postnatal depression and relationship issues with her ex-partner. She came off medication several months ago and sometimes still feels depressed. This is largely due to her financial situation; she feels she is not offering her children the life she would want for them, emphasising that



it is not the children's fault that they cannot have what other children have.

Jane is sensitive to perceived stigma and criticism. She worries that people will judge her for being a lone parent and bringing up five children on state benefits. However, she also feels that she is doing the best she can in raising the children alone. She worries that it is damaging for the children to see her upset and depressed.

Jane has made unsuccessful attempts to make the estranged father of her first four children contribute to their upbringing through the Child Support Agency. She reports that he regularly visits her area but does not come to see their children:

'I feel sorry for them because their dad doesn't take anything to do with them... and his family doesn't take anything to do with them.'

### Support

Jane's main source of support is her mother, who lives on the other side of the city and relies on public transport to see Jane.

'I don't like imposing my kids on other people 'cos there's so many of them. I don't like asking for help.'

<sup>36</sup> Jane lives in Northern Ireland and in April 2009, the Education Minister in Northern Ireland announced that the grant scheme to assist parents on low incomes with the cost of school uniforms was being extended to include parents of primary school children. See Chapter 4 for further discussion of the costs of schooling.

Jane uses a Barnardo's family service for support and says her only real friends are the women and staff she has met there:

**'They're my lifeline... they keep me sane. I talk to mummies and all down here 'cos everybody down here is in the same boat.'**

Jane is independent and strongly believes that her children are her responsibility.

**'I would be there for any friend that asked me, "would you mind that child for a while". But I don't like imposing my kids on other people 'cos there's so many of them. I don't like asking for help... I don't like to be dependent on anybody else... they're my responsibility so it's up to me to look after them.'**

### **Aspirations**

Jane would love to provide a higher standard of living for her children. Jane has never had careers advice and would love to sit down with somebody who could advise her, but says, 'I wouldn't know who to contact... I wouldn't know who to get in touch with'.

Jane worries about the pressures of the current system of the 11-plus<sup>37</sup> exam and the subsequent choice to be made about attending a grammar school or a comprehensive school. She explains:

**'Because say I have really, really smart children and all five of them do really well, I couldn't afford to put five kids through grammar school and with**



**them being all so close together [in age]... I wouldn't want them to ever turn round and say "well you got the money for her, why can you not do it for me"?''**

**'I try to instil in my kids that school is the most important years of your life, listen to what you're being taught because it will affect your life forever.'**

Referring to her eldest child, Jane says:

**'I would like for her to do really well, to go on to university... do what I didn't get to do.'**

Jane experiences high levels of stress about her debt, feelings of guilt about the children's lives and feelings of despair over their father's refusal to be part of their lives. Despite this she remains optimistic for the future:

**'In 10 years I'd hope I'd be back at work, nice wee home, happy kids and all my debt cleared.'**

<sup>37</sup> At the time the research was carried out the 11-plus exam was still used as an entry requirement for grammar schools in Northern Ireland.





## Fiona

*'I don't want my children to end up like me. I want them to have a good education.'*

Fiona is 32 years old and lives with her new partner, Stuart (33) and her three children: Caitlin (10), Sarah (eight) and James (seven).

Fiona has always lived in the same area, near all her extended family. She grew up in a family living on benefits and received free school meals when she was at school. Her children are in the catchment to attend the same high school as she did.

### Family background

Fiona has not worked since she was 17 and has been a carer for her disabled mother since she was a child, often missing school because of caring responsibilities. As a young carer, Fiona got no recognition, sympathy or help from her teachers. She says:

*'I'd like my own kids to stay on and get an education, but I just couldn't hack it. I couldn't stay in the school because I didn't like it and I didn't like the teachers. I really didn't like the teachers. My kids will never know that, but I didn't like the teachers.'*

She does not tell the children about her difficulties at school as she wants to engender a positive attitude towards education in them. Sometimes Fiona volunteers in the school office, which has strengthened her ties with school. She does this to create a positive experience of education for her children.



### Bullying

Fiona fell behind in her schooling and was put into a special unit. This unit shared a building and resources with the mainstream school and Fiona experienced taunting and bullying in the shared playground. Although she suffered at school, Fiona showed an aptitude for maths; this is borne out by her strong skills in financial management.

She is happy with the education her children are receiving. They all get on well at school and like their teachers, but are still suffering from name calling in the playground. Fiona is worried that if they go to the local high school they may get bullied:

*'I've got visions of me going up to that school nearly every day with it. I will not tolerate it because I don't want my kids to miss out on school.'*

*'I'd like my own kids to stay on and get an education but I just couldn't hack it.'*



### Isolation

Fiona has never been on a holiday and her children have never had a family holiday. She would like to go on holiday but says she has her mother to think of. She still collects her mother's benefits on a Wednesday. On a rare occasion during the school holidays, they manage to go on a day trip. They never go to the cinema as a family as

“I don't think that far ahead. I just take each day as it comes.”

it is too expensive. They have been to the beach once, 18 months ago, even though it is only 15-20 miles away on public transport.

Fiona and her boyfriend have been together for a year, but have never been out together. She receives few visits from family or friends, although she goes to her mother's house every day to care for her. She is estranged from her only sister. The children do no sport or leisure activities after school or at weekends. They play on the street in front of their house. Fiona says that her little boy has asked to do football but this might cost up to £20 per month so it is out of the question. She says 'there's just no money for these things'.

### Support

Fiona has not had much support in her life. She gets some financial help from her disabled mother to buy the children essential items, such as school shoes. Her situation has improved since she has been with her partner, Stuart, and she says:

‘We're fine, I'm fine, I don't need any more help. I've got enough support with Stuart's family and... well, my mum and Barnardo's.’



### Debt

Fiona has a budgeting loan from Christmas 2007 and will get a new one at Christmas 2008. She explained that her previous budgeting loan will not quite be paid off when she receives her new one, so the repayments for the new loan will automatically run on from the old one. After many years of this cycle, she says she has got used to £20 being deducted from her benefits every week and no longer thinks of it as her money.

Fiona is adept at budgeting and very careful with her borrowing. She would not consider herself to be in debt. However, to buy large items for the house, Fiona has used a hire-purchase facility and thus incurred inflated prices and high rates of interest.

### Long-term unemployment

Fiona has long ago accepted that her life revolves around caring for her disabled mother and living on benefits. She is quite resolute in saying that she knows she does not have any money and so does not spend much. She says:

'As far as I'm concerned, if people want to go out and spend a lot of money they can't afford on something, then that's their prerogative. If they can afford it then fair do's, that's up to them what they spend their money on... I know I haven't got it to spend it, so I won't do it.'

When asked where she sees herself in five or 10 years' time, she says: 'I don't even think that far ahead [laughs], I just take each day as it comes'. Despite Fiona's reluctance to discuss her own future and what it may hold, she is clear in her aspirations for her children.

### **Aspirations**

Fiona hopes that her children will get a good education, which will lead on to



a good job. She explains that her little boy, James, wants to be a policeman. She says she told him he has to work hard at school if he wants this. Fiona says she wants something more for her children than she had.





## Pauline

*'I would be disgusted if my children ended up living on benefits when they are older.'*

Pauline (39) is unemployed and separated from her violent ex-partner, with whom she had three daughters. Their eldest child died three years ago in a road traffic incident, aged 15. Pauline is now a lone parent of two primary school-aged children. Pauline has suffered ill-health since childhood, more recently with osteoporosis. Since her bereavement she has been suffering from debilitating depression and anxiety, and has made several attempts to end her own life.

Pauline has previously worked in temporary part-time jobs and participated in government training schemes. Now, however, she feels frustrated at her inability to secure permanent, well-paid employment. She says she would love to work as a care assistant, but at the moment she is struggling to overcome her mental health problems and come to terms with the loss of her child. Pauline finds it difficult to keep on top of household bills and is constantly worried about what the future holds.

### Ill-health

Pauline had a rare blood disorder as a child and had her spleen removed when she was 11. She has been on medication ever since. She suffers from osteoporosis which causes her to limp and gives her cramps and shooting pains. She has been told that the condition will worsen over the coming years.

Pauline's health problems have caused her to give up jobs in the past. Approximately five years ago, she had



almost completed a trainee chef course, but had to give it up due to her health problems. She worries about taking on the commitment of a job, only to let an employer down by becoming ill. She says this has caused her to despair of ever having a job.

### Low educational achievement

Pauline went to the local secondary school, which she says she 'loved' although her attendance was sporadic due to health and family problems. She left school with no qualifications and poor literacy and numeracy. She wishes she had been able to gain some qualifications at school as not having them has had a negative impact on her life, 'you just feel completely stupid, to go and get jobs or anything'.

### Mental health

Pauline suffers from severe mental health problems related to the traumatic loss of her eldest daughter. The loss of their sister has also had an impact upon the children, who are struggling to come to terms with it, as well as to cope with their mother's mental health problems. Their education has been affected and they are behind with schoolwork.



Pauline thinks that living on a low income has also had a negative effect on her emotional wellbeing and explains that the children want her to get a job. She says:

**'It's the girls, they're just constantly asking for things as kids do and... the guilt is terrible because you just couldn't do it, you just couldn't, you'd love to be able to go out and treat them and get them the wee things that they want but you just couldn't do it.'**

**'It's like, it's as if they're pushing me. As if I'm always gonna be sick on the dole and I need to be working and I know I can't do this and it's really getting me down... I don't even leave them to school it's that bad, the wee girl next door brings them to school every morning.'**

This makes Pauline feel 'horrible, just completely horrible'.

**'It's the girls, they're just constantly asking for things as kids do and... the guilt is terrible because you just couldn't do it.'**

#### **Stigma**

Pauline says she feels like a 'charity case' because she is not working. She thinks that people judge her because she is not working and probably think that she should go and get a job. She would love to be

able to work and says that being on benefits 'drags you down'.

#### **Debt**

As with the other families in this chapter, Pauline is permanently paying back loans from the Social Fund. Every time one is due to end she



takes out another one. Loan payments are deducted from her income support each week. In autumn 2008, Pauline took out a Provident loan to help with Christmas, having applied for £600 from the Social Fund and having only received £200.

Pauline struggles to pay household bills because of her loan repayments. In January 2009, the telephone company disconnected the line following a final warning for arrears, leaving the family without a landline telephone and internet connection.

During the study, Pauline was awarded Disability Living Allowance, which improved her situation. She says:

**'With getting the Disability Living Allowance now, I feel a lot better off than I ever was, I was on income support with the three girls and my God it was unbelievable, it was just absolutely horrendous, you just couldn't do nothing, it was just impossible to live... it was just constantly beans on toast for dinner or soup and bread and things like that, they were lucky to get fish once a week.'**

### Cost of fuel

Pauline's source of fuel is a large oil tank in her garden. Oil has to be purchased in bulk from the oil company, as they will not deliver small amounts. Pauline finds it very hard to pay this sum in one instalment or even to save for it. She often has no oil in the tank and ends up with no heating except one small electric fire. During the study, she had a particularly bad week due to the cost of buying oil in bulk:

**'It's terrible 'cos I got my money on Monday, I got £180 and had to get my oil and that was £167 and I was just left completely skint all week, it'll just have to do... I actually phoned up and asked them could I get 200 litres and they says no... it was 300 I had to pay for, so... I said to the girls we're just gonna have a really bad week, it's just been like spaghetti on toast and things and we've just had to make do.'**

### Isolation

The family, and Pauline in particular, are isolated and end up being 'stuck in the house all the time'. They can go to the park at weekends, she says, but it has been freezing and she feels bad for the children when their friends are going to the cinema and they cannot. She says the children have asked her a few times recently why she does not work, because they get upset when she cannot afford for them to do things they would like. Recently they wanted to go to an 'Oscars' night at the youth club but it cost £10 and she could not afford to let them go.

**'You just can't do nothing... like, if the kids wanna go swimming or anything... you just can't afford to do nothing... they wanna, they wanna get into disco dancing and it's just too**



**expensive... anything, you just can't afford to do it.'**

During the research the children started attending dance lessons one night per week at a leisure centre. However, they had to stop going because Pauline could not afford it.

Their social isolation is aggravated by Pauline's mental health problems. There are times when Pauline finds it difficult to take them out:

**'I just haven't been up to taking walks out and bumping into people that I know.'**

The girls have been on one trip with the school and one with the youth club. Every Sunday she takes them to the cemetery to their sister's grave.

Pauline has been trying hard to overcome her depression by trying to be more active. She decided to join a parents' group at the children's primary school and went to this once a week, but she stopped attending because she was feeling so low.

**'...if the kids wanna go swimming or anything... you just can't afford to do nothing.'**

At the close of the year, she was feeling very frustrated with her poor mental condition.

### Support

Pauline's only source of family support is a sister to whom she is very close. After her daughter's death, her sister practically moved into Pauline's house and lived with her for nearly a year.

Pauline thinks she would not be alive today if it were not for her sister looking out for her.

She says that both of her daughters still receive counselling through Barnardo's Child Bereavement

Service and have changed from being really angry and difficult to being back to their normal selves. Pauline describes them as being 'brilliant kids'.

### Aspirations

Pauline is keenly aware that her own educational opportunities were stunted by her childhood illness and wants her children to have the opportunities she did not.



She says the girls are looking forward to going to secondary school next year, especially one of them, who wants to be in the police when she is older.

'We were sitting talking about it last night, she said, "Mummy if I can be a police officer, can I go on to do forensic work?" and I said "yeah you could".'

'Whatever they want to do in secondary school, if they really push themselves, they can do it. That's what I believe.'

Whatever they want to do in secondary school, if they really push themselves they can do it.

# Chapter three:

## The legacy for children

*'I don't know why but no one gives me presents for my birthday.'*

*Kesia (age nine)*

This chapter describes the lives of the children in our study, demonstrating their strength, resilience and resourcefulness. The strong coping strategies that these children have developed indicate just what society has to lose by allowing the legacy of poverty to be passed on through generations.

### Living conditions

Some of the children in the study have to endure an appalling standard of accommodation. Overcrowded and cramped conditions mean little communal or safe space for children to play, nowhere quiet to do homework and a lack of privacy for both adults and children. Some children felt unable to invite friends home.

Children were not just sharing bedrooms – a normal childhood experience – but were sharing beds with other adult and child family members. At the end of the study, Kesia (nine) is sharing a bed with her mum, her sister Mandisa (five) and her brother Zaid (12). She tells us:

*'I like the house because I at least have somewhere to stay... It would be better if only we had a house with stairs in it and then there would be more space to play around... and I'd like to get my own bedroom... but... I'd share it with my little sister so only two people... but like not three or four people crowded in one bedroom.'*

Zaid says that the two things he does not like about his home are the damp and the lack of space in the rooms. He says, 'like, when you touch the walls

it's wet... and like, it doesn't look nice'. He also says that he has only ever had friends over once or twice. He would like them to be able to visit more often but there is no space for them in their flat.

Zaid's brother, Jelani (14), complains about the state of their flat every day to their mother. He frequently tells her that he does not want to stay in their flat because 'there's damp, I feel sick all the time. When can I get a new house'? Jelani thinks the damp has an effect on him. He says, 'I have asthma and at night I can't breathe properly'.

Jelani gets on with his brother Zaid but he says that they don't always agree on everything. He also says it is hard to share a bed with Zaid as 'he's always wiggling around, pushing me out of bed as well and sometimes I can't sleep'. Over the course of the research, Safiya, the children's mother, gave up her bed for Jelani so that he could have his own space. Instead, she shares a double bed with the other three children.

When asked what type of things people his age need, Zaid referred to the space at home. He says 'I get older and like... I get homework and I need my own room'.

Gemma (10) says it is illegal for her family to be living in a two-bedroom house because a boy and a girl have to share a room. She explains that she wants her own room. She says, 'I'm 10 and I'm going to have women's problems'.



In spite of the awful housing conditions that these children live in, they show a close family bond, loving relationships and an ability to accept compromise. Where they express a desire for change, it is a modest request to share a room with only one sibling, rather than three; to live in a home free of damp; or the hope that one day they can share a home where they are not ashamed to have friends over to visit.

At the time of this study, most of these children were quite young. They have an innocent hope that they will get a bigger, better house and they display caring strategies to cope with living in such close proximity. As these children grow older and become teenagers, they will have spent all their lives in damp, overcrowded conditions and are less likely to respond with cheery acceptance.

### **Children's activities**

Lisa (nine) is one of five children and she says that she knows they cannot afford to do things because there are so many children in her family. She says that she 'doesn't mind' and is glad to have so many brothers and sisters.

Lisa says she 'doesn't mind' that they do not go on trips in the holidays because she gets to do other good things like go to the shops and play outside with her friends. Lisa also says that it 'doesn't matter' that she cannot do all these things because then the family can save up for Christmas. She does feel that it's hard for her mum to take them all on the bus when she needs to go shopping because it is so expensive. She says that once they got the bus and it cost her mum £10.50, which Lisa thought was a lot of money.

Zaid says he spends most of his time at home watching television or playing on the computer with his brother, Jelani. He prefers to spend time in his bedroom because when he is in the lounge his sisters bother him. In order to make him less bored in the house, Zaid says he would:

**'Like... those pool tables, so that me and Jelani can play games together so we don't get bored. We had Monopoly but all the money was lost.'**

### **Family**

Like all of the children in our study, Lisa has a strong sense of family, mentioning that she is lucky to have so many siblings because it is nice to grow up with brothers and sisters.

However, Lisa's parents are separated and she feels distressed about her father not spending time with them. She says she feels constantly let down and upset by what she views as his 'lies' and not keeping his promises. One evening, he arranged to see her in her first school play but did not turn up because he 'slept in'. Lisa says this happens regularly and she is used to it now but really hates it and wishes he would not do it. She says she 'cried her eyes out' the night he did not come to the play. When she tries to talk to him about how she feels he just says things like 'don't start'.

She thinks that life would be easier for her mum if their dad helped to look after the children. About her dad, Lisa says:

**'I wish he would stop telling lies... breaking promises, I just feel, like, angry... it makes my mum angry that he promises, promises us stuff and then not doing it.'**

She thinks if he did what he said he was going to do then it might make her mum happier and ‘it would just show that he cares’.

### **Friends**

A discussion on important things in the children’s lives highlighted the importance of family and friends, and the significance the children attach to the sense of belonging.

Phillipa (13) stressed the importance of having friends: ‘they help you sometimes... when you’re in trouble, getting hurt in arguments’. Phillipa enjoyed seeing friends, going to their houses and having friends coming to her home.

Friends were also emphasised by Jelani and Zaid. They explained that there were certain issues that they could only talk about with friends. They said that parents sometimes ‘can’t understand some things’, but you can talk about anything with your friends.

### **Happy birthday**

Birthdays are a time of celebration for most families and a time for children to receive gifts. For some of these children, birthdays can be a less straightforward pleasure. Kesia says ‘I don’t know why but no one gives me presents for my birthday’.

When Jelani was asked how he had spent his 14th birthday, he said he stayed at home and they had a party, just for the family. They made a cake. Afterwards he went to the park with his brother and friends and they had ice cream. Asked if he got presents, he said yes, from his friends, but not from his mother. Jelani gave the £10 he received from his friend to his mother, to help towards the cost of school uniforms.

When Gemma had a birthday, her mother, Rebecca, could not buy her a present in time. Rebecca’s income support was due four days after Gemma’s birthday so she had to wait to receive a gift. Rebecca commented that Gemma was very good about this and didn’t complain:

**‘Her birthday was a Saturday and both times I had to sign on a Friday so the poor little lass had to wait until the Wednesday to get her birthday present... she didn’t get very much because the money I’ve got, I’ve got to try and stretch that for the fortnight.’**

### **Money money money**

When Gemma was asked what makes her happy, she quickly replied ‘money’. When asked why money makes her happy, she said she likes to spend it on her tea-time club on a Friday.

Gemma’s tea-time club used to cost £1 but was increased to £2.50. She explains that her mum ran out of money and could not afford £2.50, so she was allowed to keep paying £1. Gemma uses her £1 pocket money for this.

Jelani tells us that he would like to be able to buy some of the things that his friends have, such as nice clothes:

**‘You see other people with things you like... I wish I could have that. But I can’t... ’Cos they got more [money] they can enjoy themselves, but we can’t.’**

Jelani and his family are relatively new to their area. He has noticed that ‘the area and, like, shops in general like, they’re expensive’. As an example he says the place where he got his hair cut in his old area was £3 and in the new area it is £7 or £8. He explains that the

high cost of things affects his ability 'to buy chocolate and school stuff'.

Jelani is one of the older children in our study. At 14, he is the eldest of four siblings and he shows an understanding and sensitivity to his mother's situation. When asked how he would describe his mum's life he says:

**'Quite difficult... she can't cope. We're always asking for too much... she's asking for loans and debts... she's putting her own life at risk.'**

When asked whether this upsets him, he says:

**'Yes... sometimes I feel like... sometimes I need something yeah, but I see what she's going through and I keep quiet.'**

Lisa thinks her life would be better if she had a lot of money, she says it would be 'really, really good'. She would like to have a holiday. She says:

**'I haven't been on a holiday before... it costs too much, I think it costs over a thousand pounds because there's all of us, there's five of us.'**

### **Aspirations**

In the future Jelani hopes to study and get a job in business or engineering. In order to afford to go to university Jelani says he will try to save up when he gets to the age of 16.

In Jelani's dream future, he would like to be a millionaire in a big house

with cars, a swimming pool and a big garden. In reality he says he would like a house, not too big, but a normal house with a nice-sized garden and three or four bedrooms.

Lisa knows that getting a good education is important to her mum and it is therefore important to her as well, so she makes sure she works hard in school. She tells us: 'my mummy says I'm very smart'.

In the future, Lisa would like to be either a hairdresser or a policewoman. She says when she is older 'I want to be rich and live in a big mansion'. Lisa also thinks it would be good to be rich because 'you get everything you want'. With this, she says, she could get really nice clothes, buy her own ice skating boots and go to live in Spain.

Kesia would like to be a designer and/or a singer when she grows up. She hopes to achieve this by 'working hard, doing well in school, going to college and university'.

Zaid says he hopes to become 'successful, a businessman wearing suits and stuff'. He hopes to achieve this by going to university and studying. Zaid says he will live in a big house.

All the children here agree that school is very important to them, because they say it is fun, it is where they learn, and also because it is necessary to get a job.

# Chapter four:

## Breaking the cycle

In this chapter we summarise key themes from our findings on debt and the persistence of poverty. We consider the impact of persistent poverty on the lives of parents and their children.

### **The pathway into a cycle of inescapable debt**

Our research findings show that although families had fallen into poverty for different reasons, they followed similar pathways into a cycle of severe and inescapable debt.

#### **The pathway into a cycle of debt**

- Families receiving state benefits, which are intended to provide a 'safety net', in reality live significantly below the poverty line.
- Complexities in benefits administration, resulting in delays to new claims, late payment or overpayments, can lead to financial crisis for families whose financial situation is so finely balanced.
- Building up assets and savings from incomes well below the poverty line is near impossible.
- While income is static, expenditure is not and families are unable to manage seasonal financial pressures or unexpected expense, having no savings to draw on.
- The Social Fund is an invaluable source of support but can be inflexible and slow. Other low-cost borrowing options such as credit unions currently lack sufficient geographical

coverage, and loan eligibility criteria vary – for example many require members to have saved with the union before being allowed to borrow.

- Unable to access mainstream credit, families are left no other option than to subsidise the benefits shortfall by resorting to the home credit market and doorstep lenders with very high interest rates.
- Families quickly amass debt that has to be serviced from their benefits payments on a weekly basis. The net result is that families are left trying to survive on less than their benefit income and that taxpayers' money administered in welfare payments goes more or less directly to finance companies.
- The reverberating effects of financial exclusion are that families pay more for essential services as well as for credit.

### **Living on a low income**

The income of families in this study is significantly below the Government's poverty line. Social Fund and other loan repayments reduce their disposable income even further. Attempts by these families to increase household income from other sources (such as part-time or temporary work) result in a reduction of some benefits, including housing and council tax, and a loss of others such as entitlement to free school meals, which mean that too often they are no better off in work.



In 2007/8 the poverty line for a dual parent family with children (aged four and six) was £279 after housing costs<sup>38</sup>. Income from benefits, after housing costs, was £224.84<sup>39</sup> – a gap of £54.16 a week. This gap is even wider at £124.48 when compared to a socially accepted minimum income<sup>40</sup>.

### **An adequate safety net**

The Government measures progress on its child poverty targets by a relative poverty line. On this measure 2.9 million children (before housing costs<sup>41</sup>) and 4 million (after housing costs) are living below the poverty line<sup>42</sup>. This is because safety net benefits (out-of-work benefits for adults, child benefits and child tax credits) are insufficient to lift these families above the poverty line, or because they are living in families earning low wages – more than half of children in poverty have a parent in paid work<sup>43</sup>.

Since 2005 the poorest 10 per cent of households have seen weekly incomes fall by £9 a week to £147 once inflation is accounted for, while the richest 10 per cent have seen an increase of £45 a week to £1,033<sup>44</sup>. In recent years, although child payments have been

increased in line with earnings, the same approach has not been used for adult benefits<sup>45</sup>.

The Government's key strategy for tackling child poverty is to increase parental employment and to subsidise low wages with tax credits. But, as such large numbers of poor children live in families where a parent works, the focus needs to shift to ensuring that work truly provides a route out of poverty.

### **Work does not always provide a route out of poverty**

A family of two parents with two teenage children aged 13 and 15, and one parent working full time at the National Minimum Wage is over £105 below the poverty line each and every week<sup>46</sup>.

### **Inadequate information and support in making benefit claims**

The lack of information around benefits and difficulties in accessing them act as a real barrier to families receiving their 'safety net' entitlements. Families in this study experienced particular difficulty securing Disability Living Allowance and Carer's Allowance entitlements and professional help

38 Based on poverty data from Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

39 Department for Work and Pensions (2008) *Tax Benefit Model Tables April 2008*: [www.dwp.gov.uk/asd/asd1/TBMT\\_2008.pdf](http://www.dwp.gov.uk/asd/asd1/TBMT_2008.pdf)

40 Bradshaw, J et al (2008) *A Minimum Income Standard for Britain: what people think*. Joseph Rowntree Foundation [www.jrf.org.uk/sites/files/jrf/2226-income-poverty-standards.pdf](http://www.jrf.org.uk/sites/files/jrf/2226-income-poverty-standards.pdf)

41 The Government's 2010 target for child poverty is defined solely in terms of income that is measured before housing costs.

42 Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

43 Fifty seven per cent of children living in poverty are in a household where at least one adult is in work. Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

44 Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

45 For example, Job Seeker's Allowance (JSA) is only worth half of what it was 30 years ago. Kenway, P (2009) *Should adult benefit for unemployment now be raised?* Joseph Rowntree Foundation [www.jrf.org.uk/sites/files/jrf/benefits-unemployment-poverty.pdf](http://www.jrf.org.uk/sites/files/jrf/benefits-unemployment-poverty.pdf)

46 This calculation uses the after-housing costs measure poverty line of £362.18 (*Households Below Average Income 2007/8*: [www.dwp.gov.uk/asd/hbai/hbai2008/contents.asp](http://www.dwp.gov.uk/asd/hbai/hbai2008/contents.asp)). The family income in and out of work is sourced from *Tax Benefit Model Tables: April 2008*: [www.dwp.gov.uk/asd/asd1/TBMT\\_2008.pdf](http://www.dwp.gov.uk/asd/asd1/TBMT_2008.pdf). The income from one adult working 30 hours per week at the National Minimum Wage is £257.05, leaving the family £105.13 below the poverty line after housing costs. On the Government's preferred before-housing costs measure, this family would still be £44.49 below the poverty line every week. If this family received benefits they would be £135.38 (after-housing costs) and £74.84 (before-housing costs) below the poverty line.

was often required in order to make a successful claim.

One in five families entitled to Child Tax Credit does not receive it and more than one in 10 of the poorest in-work families miss out on work related benefits<sup>47</sup>.

Having the right information was crucial to families getting support. A lone parent in the study had not been told that she could get help with the cost of school uniforms, for example. With four children, she was having to find in the region of £1,000 a year and had resorted to doorstep lenders to cover the cost.

### **The assets and savings gap**

The benefits system is not sufficiently responsive to seasonal or unexpected financial pressures. The average family will have resources to draw on when it needs to overcome short-term deficits: an ISA to cash in, a car to sell, a house to 'downsize' or even friends and family to call on. What the families in our study had in common was a fundamental 'asset gap' which meant that they lacked any safety net when falling on hard times. Our findings suggest that there are only three ways of meeting one-off or seasonal costs:

#### **1) Absorb the cost**

Being below the poverty line means this is the 'get cold and go hungry' option.

#### **2) Use savings, where they exist at all**

These families lacked any inherited assets and their low incomes made saving almost impossible. Some of the families demonstrated good budgeting skills in putting aside money for bills

or planned expenditure. For example, Ralph started saving £10 a week from April onwards each year in order to meet the cost of school uniforms in September. However, only four of the families provided any evidence of saving money. Three of these tried to save a little each week. This amounted to £22.50 a week between them. One family described total savings of £44.83 but did not save money weekly. None of the families were making any provision for pensions.

### **3) Borrow**

Families invariably turned to the home credit market with its high interest rates because they were excluded from the services of high street banks.

### **Financial exclusion**

Many of the families in our study did not have a bank account. Some had been refused a bank account and given no explanation, whereas others had been told that it was because they could not provide a passport or driving licence. These two sources of identification were generally unavailable to families in this study who could not afford to pay £72 for an adult passport (rising to £77.50 from September 2009), which is also a prerequisite to apply for a driving licence, which would cost a further £50. Only two families in the study have a car and none of them could afford to travel abroad.

Without a bank account, families are excluded from:

- short-term overdraft facilities
- discounts associated with direct debit arrangements
- interest free purchase schemes (e.g. for furniture and white goods)
- bank loans at affordable interest rates.

<sup>47</sup> HM Revenue and Customs (2008) *Child Tax Credit and Working Tax Credit Take-up Rates 2006-7*.

In 2004 a shared goal was agreed between the Government and the banking industry to make significant progress in halving the number of adults (estimated at some 2.8 million<sup>48</sup>) without a bank account. The Financial Resources Survey (FRS) data for 2006/7 shows that some progress is being made with a reduction of 'unbanked adults' to two million.

banking have been described as a 'poverty premium'. It is estimated that this amounts to £1,000 per annum – 9 per cent of the disposable income of an average sized family<sup>49</sup>.

### **The 'poverty premium'**

Low income families are effectively penalised by companies for their method of payment. For example:

- Some energy companies place their pre-payment customers on higher tariffs and charge them for having a meter.
- Customers using direct debit are shielded from seasonal changes in energy use by payment arrangements which 'smooth' these variations over the year. Those using pre-payment meters bear the full impact of extra wintertime fuel costs.
- Some phone and internet companies charge non-direct debit customers for receiving paper bills.
- Customers are unable to pay bills from their Post Office account. They must use a postal order to do so, which incurs a fee.

### **The 'poverty premium'**

The additional costs that financially excluded families pay for basic necessities like gas, electricity and

### **A tough balancing act**

Families faced huge difficulties with meeting unexpected expenditure and especially seasonal costs.

With the exception of one household, these families had no insurance for household contents, raising significant problems in replacing essential items such as white goods<sup>50</sup>. Families in these circumstances are unable to meet the costs of even second-hand items in one payment. They are forced to apply for loans or use catalogues so that the costs can be spread. The financial penalties attached to these methods means that they pay significantly more for these items than on the high street.

The additional expenses attached to school holidays and religious and cultural festivals were pressing issues for families, as were the rising costs of fuel in winter. Fuel poverty was a real issue for families<sup>51</sup>. We found examples of families being forced to apply for loans from either the Social Fund or doorstep lenders to buy their children's school uniforms.

48 *Family Resources Survey* (FRS) data for 2002/03.

49 Save the Children (2007) *The Poverty Premium*.

50 The value of insurance is, in any case, in question for these families as under the current benefit system any insurance payout would be viewed as income and benefit payments adjusted accordingly.

51 Fuel poverty is defined as the need to spend over 10 per cent of household income on fuel costs to maintain adequate warmth for health and comfort. The latest figures in *The UK Fuel Poverty Strategy – 6th Annual Progress Report 2008*, published by BIS (Business, Innovation and Skills) and DEFRA, show that 3.5 million households in the UK are estimated to be living in fuel poverty – 2.3 million more than in 2004.

### Costs of free schooling

The amount parents spend on school costs has increased by 4 per cent in five years. In 2007 parents spent on average £683 a year on children at primary school and £1,195 at secondary school<sup>52</sup>.

In England, some local authorities provide discretionary grants to help with buying school uniforms using their own criteria for eligibility<sup>53</sup>.

In Wales in 2005, a government scheme introduced a one-off grant for all children who are entitled to free school meals and are moving from primary to secondary school at age 11. In 2007, this offered £97.50 towards the costs of a school uniform.

In Scotland, help is provided towards the costs of primary school uniform as well as secondary and this is also to be introduced in Northern Ireland.

appreciated such loans because they are interest free and have repayments deducted at source (making the debt easier to manage). But the application process can be slow and there are restrictive limits set on borrowing. Two of the families used and valued a credit union but, in general, we did not find that families had much knowledge of the existence of community finance options.

A lack of funding means that those who meet the requirements for the Social Fund may be refused a payment. Around one-third of Social Fund applicants are refused<sup>54</sup>. Where a grant is paid, the amount is often inadequate, as little as £200 has been paid to applicants to cover the furnishing of an entire council house<sup>55</sup>.

An extra £270 million from the 2009 Budget has been allocated to the Social Fund to provide more interest-free loans<sup>56</sup>.

### The Social Fund

With no savings or assets to fall back on, families in this research often had no choice but to turn to credit to pay for everyday necessities, with the Social Fund usually being the first port of call.

Most of our families used budgeting loans and crisis loans from the Social Fund on a regular basis. They

### Home credit

The families in our study had very poor credit ratings and could not provide surety to enable them to borrow more cheaply, so were attracted to home credit. The Government's white paper *A better deal for customers*, published on 2 July 2009, included plans for the Office of Fair Trading (OFT) to

52 Peters, M et al (2009) *Cost of Schooling 2007*. Research Report DCSF-RR060. Department for Children, Schools and Families <http://publications.dcsf.gov.uk/eOrderingDownload/DCSF-RR060.pdf>

53 [www.direct.gov.uk/en/Parents/Schoolslearninganddevelopment/SchoolLife/DG\\_4016078](http://www.direct.gov.uk/en/Parents/Schoolslearninganddevelopment/SchoolLife/DG_4016078) accessed on 28 May 2009.

54 31.9% of all initial decisions on applications to the Discretionary Social Fund (Budgeting Loans, Crisis Loans and Community Care Grants) in 2007/8 were refusals. Department for Work and Pensions (2008), *Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2007/2008* [www.dwp.gov.uk/publications/dwp/2008/2008-annual-report-social-fund.pdf](http://www.dwp.gov.uk/publications/dwp/2008/2008-annual-report-social-fund.pdf)

55 Barton, A (2002) *Unfair and Underfunded: CAB evidence on what's wrong with the Social Fund*. Citizens Advice [www.citizensadvice.org.uk/unfair\\_and\\_underfunded](http://www.citizensadvice.org.uk/unfair_and_underfunded)

56 HM Treasury (2009) *Budget 2009: Building Britain's Future*, [www.hm-treasury.gov.uk/d/Budget2009/bud09\\_complete-report\\_2520.pdf](http://www.hm-treasury.gov.uk/d/Budget2009/bud09_complete-report_2520.pdf)



investigate the high cost credit market. Barnardo's believes it is imperative that the OFT review proposes ways to increase competition and reduce the amounts of interest low income families are paying for credit. At the same time, we hope the review looks closely at how alternative credit providers are sometimes illegitimately influencing customers into taking on more credit.

Home credit companies actively target 'non-standard'<sup>57</sup> borrowers, who are not served by mainstream financial services. They charge high interest rates<sup>58</sup> on the basis that they expect a high default rate from their customer base. The Competition Commission inquiry into the home credit market found that a lack of competition meant that customers were being overcharged for their loans<sup>59</sup>.

Most of the families in our study used Provident Financial, which offers financial products to over 2 million customers across the UK<sup>60</sup>, representing over half of the home credit market<sup>61</sup>, which is worth, overall, some £3.3 billion<sup>62</sup>.

Companies like the Provident work hard to build up a personal relationship with their customers so that they gain a good understanding of their financial situation and ability to pay. They do this by recruiting local agents who become familiar with the customer. Some of the

families in our study clearly regarded these agents as friends and relied on them to some degree as informal financial advisers. These companies are not subject to any formal regulation<sup>63</sup>.

Although families recognised the high interest charges incurred, there were aspects of home credit – such as face-to-face service, the ability to make weekly repayments and direct access to cash loans at short notice – that worked well for them. This indicates how mainstream financial services might better tailor themselves to meet the needs of low income families.

### **The poor pay more**

The most disturbing example of home credit company methods were those of the 'pay to view' scheme that resulted in Jane paying £1 an hour into a TV meter so that her five children could continue to watch television. These schemes allow you to buy a range of goods through the TV meter, including furniture and white goods. Customers repay the debt by feeding pound coins into a meter attached to the television which regulates the number of hours viewing they receive in return. A representative calls regularly to empty the box.

Many of these companies require customers without home contents insurance (as was the case for most

57 Provident Financial PLC, *Annual Report 2008*. [www.providentfinancial.com/files/reports/ar2008/index.asp?pageid=18](http://www.providentfinancial.com/files/reports/ar2008/index.asp?pageid=18)

58 The Provident advertises a typical 254.5 per cent APR on a loan of £300 with 50 weekly repayments of £10.50: [www.providentpersonalcredit.com](http://www.providentpersonalcredit.com) (accessed on 28 May 2009), Shop-a-check, another popular company amongst the families, also offers a typical 254.5 per cent APR: [www.shopacheck.co.uk/](http://www.shopacheck.co.uk/) (accessed on 28 May 2009).

59 Competition Commission (2006) News release: *Home credit customers pay a high price* [www.competition-commission.org.uk/press\\_rel/2006/apr/pdf/24-06.pdf](http://www.competition-commission.org.uk/press_rel/2006/apr/pdf/24-06.pdf) accessed on 28 May 2009.

60 [www.providentfinancial.com](http://www.providentfinancial.com) accessed on 28 May 2009.

61 See note 57.

62 Palmer, H and Conaty, P (2002) *Profiting from Poverty: Why debt is big business in Britain*. New Economics Foundation: London.

63 Ibid.

families in this study) to take out maintenance packages, almost doubling the total price repayable.

For example, Buy as You View has a Hotpoint washing machine listed with a cash price of £479.99. An internet search found the same washing machine available at high street and online retailers for lower cash prices – for example £337 at Sainsbury's or Boots. When the cost of credit and maintenance is added, Buy as You View customers are paying a total of £1137.24 over 156 weeks at £7.29 per week<sup>64</sup> – almost three and a half times the high street cash price.

Another significant 'debt trap' is set by catalogue companies, many of whom offer interest-free schemes, but charge up to double the cost of purchasing from the high street.

In Ralph's case, one such company tried to change payment arrangements with Ralph as a new customer, in order to spread payments over a longer period and thus incur higher total interest charges.

### **Cyclical and unrelenting debt**

The lesson from our research is that once signed up for the first loan, families were often drawn into a cycle of loan renewal and consolidation, so that a loan account was never actually closed. For some of our

families, this had been going on for 10 years or more.

### **Overall debt**

Of the 16 families in our study, 12 have accumulated a collective debt of £34,698.36, excluding Social Fund loans and overpayment of benefits<sup>65</sup>. Three of the families have no loans, and one family is paying £30 a week on catalogues, but could not provide the total amount to be repaid.

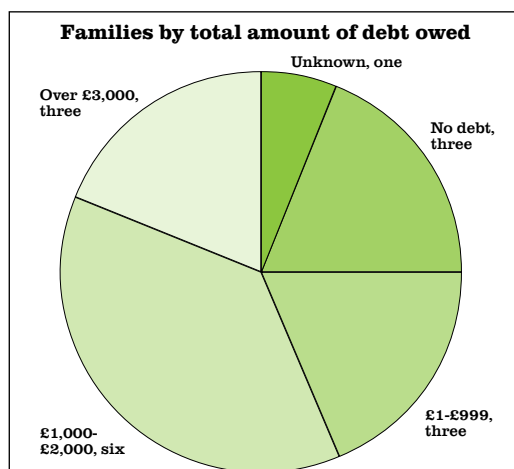
Only three of the 12 families had debts of £350 or less; six had debts of between £1,200 and £2,860; and the other debts were significantly higher: £4,541.41, £6,000 and £11,581.95 (see Figure 1 overleaf). The single mother with five children who owed over £11,500 was paying nearly £77 on loan repayments from her £270 income each week – 28.5 per cent of her weekly budget.

The average debt across the 12 families was £2,891.53 per family, and the average income per week across the families was £241.04 (including all benefits except housing), with average debt repayments accounting for 7.28 per cent of total income<sup>66</sup>. To clear the average family debt would take 12 weeks of total income, or just over three years based on their current average weekly repayments.

64 [www.bayv.co.uk/products.html](http://www.bayv.co.uk/products.html) accessed on 28 May 2009. Illustrated costs for a Hotpoint Aquarius WMF740K.

65 This figure also does not include weekly payments such as catalogues or arrears where the families were only able to tell us the weekly amount paid, rather than the total, or over what period.

66 Average weekly debt repayments across the sample were £17.54.



**Figure 1**

### Managing debt

Many of the families demonstrated excellent skills in budgeting and money management. Families used different strategies for this, including establishing a clear payment schedule worked around the arrival of benefits and tax credits, and programming reminders into their mobile phones.

However, carefully planned schedules could be knocked out by late benefit payments, delays in processing claims or applications, or by underpayments. The inefficiencies of the benefits system plunged the Chinese family described in Chapter one into very difficult financial circumstances as they waited 10 months to receive their full benefit entitlements. One family was forced to take a home credit loan in order to repay benefit overpayments.

The study also found that although families managed and budgeted well, over the longer term they started to lose confidence in their ability to manage bills on anything other than a weekly, and often cash, basis. Usually, decisions around borrowing were based on what

could be afforded in weekly repayments, rather than on the length of the repayment period, the interest rate, or the total interest charged, even though families knew very well that they would be paying far more in the long term.

Their level of debt acted as a financial disincentive to return to work for some parents, because repayments that were deducted at source while on benefits would have to be managed individually once benefits stopped. Also, the loss of benefits (particularly housing benefits) on moving into low-paid work represented an immediate financial penalty and loss of security.

### The persistence of poverty and the barriers preventing escape

The Government defines persistent poverty as living in poverty for at least three out of every four years<sup>67</sup>. Using this measure, the majority of the families in this study were living in persistent poverty. Consistent with other research<sup>68</sup>, we found that income poverty was exacerbated by low educational achievement, disability or ill-health, unemployment, lone parenthood, having a large family and having young children.

Although the families in this study have strong aspirations for themselves and their children, they need significant financial, practical and personal support to overcome barriers and escape their current situation. Table 3 on the next page shows how some of these factors are present for the three families profiled in Chapter two and illustrates some of the barriers facing women, in particular, in finding a route out of persistent poverty.

<sup>67</sup> The Department for Work and Pensions *Households Below Average Income series* defines persistent poverty as being in income poverty (below 60 per cent of median income after housing costs) in at least three out of four years.

<sup>68</sup> Department for Work and Pensions (2008) *The Circumstances of Persistently Poor Families with Children: Evidence from the Families and Children Study, Research Report 467* (May).

Key risk factors	Women in report		
	Jane	Fiona	Pauline
Large family	●		
Lone parent	●		●
Poor mental or physical health	●	●	●
Long-term unemployed	●	●	●
Transport	●	●	
Low skills	●	●	●
High levels of debt	●	●	●
Financially excluded	●		
High costs of living	●		●
Uses unaffordable forms of credit	●	●	●
Childcare	●		
Low pay		●	
Lives in area of high unemployment	●	●	
Socially isolated		●	

**Table 3** (above) profiles three of the women in the report. It highlights the key risk factors for these families which increase their risk of being, and staying, in poverty. Although the Government's definition of persistent poverty is one based on income, the above table shows that it is an aggregate of factors which are keeping Jane, Fiona and Pauline trapped in persistent poverty. Solutions to tackle persistent poverty need to address a combination of issues.

### Persistent poverty and deprived neighbourhoods

Three-quarters of families in the study lived in deprived urban areas, characterised by poor housing, few local services and high unemployment. Several of the families described being worried by high levels of noise, abusive neighbours, local crime and other disturbances. Nearly half of all social housing is now located in the most deprived fifth of neighbourhoods<sup>69</sup>. More than

Analysis of the *British Household Panel Survey* shows that the local unemployment rate is strongly negatively associated with the probability of escaping poverty. For example, living in an area of low unemployment was associated with a 26 per cent increase in the exit rates from poverty of a 30-year-old single individual, compared to living in a high unemployment area<sup>70</sup>.

Children living in bad housing are more likely to suffer from health problems, be bullied and struggle to keep up with homework<sup>71</sup>.

one fifth of social tenants report the presence of drug users or dealers as a serious problem; nearly one fifth are concerned about the general level of crime, fear of being burgled, vandalism and litter; and 18 per cent say that they feel unsafe alone even at home or outside in daylight<sup>72</sup>.

<sup>69</sup> Statistics in this section relate to England only and are taken from Hills, J (2007) *End and Means: The future roles of social housing in England*, ESRC Research Centre for Analysis of Social Exclusion.

<sup>70</sup> Devicienti, F (2001) *Estimating Poverty Persistence in Britain*. LABORatorio R. Revelli Working Paper 1.

<sup>71</sup> Barnes, M; Butt, S; Tomaszeki, W (2008) *What happens to children in persistently bad housing?* Shelter and Natcen.

<sup>72</sup> Hills, J (2007) *Ends and Means: The future roles of social housing in England*. ESRC Research Centre for Analysis of Social Exclusion.



The families in this research all wanted to work, but many of them lived in areas of high unemployment. Some parents had come to accept that they would probably never find a local job. Without support to tackle this sense of hopelessness, government initiatives to move benefit recipients from welfare to work may be ineffective.

The proportion of the working age population who lack, but want, paid work is almost twice as high in London (12.4 per cent) and the North East (12.1 per cent) as in Northern Ireland (7.2 per cent)<sup>73</sup>. Out of 26 EU countries, the United Kingdom has the fifth highest proportion of its working population living in workless households.

The unemployment rate for 16 to 24-year-olds is much higher in London, at 19 per cent, than anywhere else. In the North East it is 17 per cent, compared to 10 per cent in the South West<sup>74</sup>.

All of the families in the study were tenants, mostly of the council or a housing association, yet many of the properties were in a poor state of repair. Several of the families spoke of their difficulty in getting the council or housing executive to carry out basic repairs.

For several families, overcrowded and cramped conditions meant little communal or safe space for children to play, nowhere for children to do homework and a lack of privacy for both

adults and children. In the most extreme example, one lone parent and her four children shared a two-bedroom flat. The mother slept in a double bed with three of her children.

Damp and cold conditions emerged as a key issue during the winter months. Insulation was generally poor, pushing up fuel bills, and some families relied on costly electric fires. In several properties, mould was visible on the walls and the damp made decorating impossible.

Conditions such as these inevitably have an impact upon physical health and several of the families were anxious about the wellbeing of their children.

### **Persistent poverty and education and skills**

Many parents in this report had poor education and skills. For some, their education or training had been interrupted due to caring responsibilities during childhood, early parenthood and, in Ralph's case, caring responsibilities following the death of his partner. In addition, they lacked the 'soft' skills needed by employers – which include the ability to relate well and communicate confidently with others – and competent computer and writing skills.

One in three working-age adults with no qualifications are living in poverty. This compares to just one in six of all working age adults, and less than one in 10 working age adults who have a degree level qualification or above<sup>75</sup>.

<sup>73</sup> Figures derived from Labour Force Survey for the years 2006-08 and include not just those who are unemployed (ILO definition), but also those who are 'economically inactive' who want paid work. Figures from The Poverty Site [www.poverty.org.uk/44/index.shtml#g3](http://www.poverty.org.uk/44/index.shtml#g3), accessed on 15 June 2009.

<sup>74</sup> Figures derived from Labour Force Survey for the years 2006-08, using ILO definition of unemployment. The Poverty Site, [www.poverty.org.uk/35/index.shtml#g4](http://www.poverty.org.uk/35/index.shtml#g4), accessed on 15 June 2009.

<sup>75</sup> Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

Young adults without a qualification are more likely to be in low-paid work than those with a qualification. For example, just over half of employed young adults with no GCSEs at grade C or above were paid less than £7 an hour in 2008. This compares to one in 10 for employed young adults who have a degree level qualification or the equivalent<sup>76</sup>.

Twenty two per cent of boys eligible for school meals do not obtain five or more GCSEs, compared to 7 per cent of boys not eligible for free school meals.

### **Persistent poverty and lone motherhood**

Ten of the parents in the study were lone mothers. This is consistent with the research literature that shows there is a higher incidence of poverty among women, rooted in their employment histories<sup>77</sup>.

One quarter of all female employees earn less than £7 an hour. The gap in pay between men and women widened to 17.1 per cent in 2008. More than one fifth of women, 22 per cent, have a persistent low income, compared to 14 per cent of men.

Just 57 per cent of lone mothers are economically active, compared to 72 per cent of married or cohabiting women with dependant children<sup>78</sup>.

Many of the women in the study described a range of experiences

that contributed to feelings of low self-confidence and a lack of a sense of agency. These included childhood experiences of abuse, bullying and sexual assault. Some had experienced more recent and traumatic events such as sudden bereavement. Almost all felt stigmatised and were acutely socially isolated.

Several of the mothers in this study lacked any financial, practical or emotional support from fathers who were ex-partners. More involvement from absent fathers could have enabled a higher standard of living, as well as contributed to the emotional welfare of mothers and their children. The Government has taken some positive steps to address issues around maintenance by extending the 'disregard' for parents getting child maintenance<sup>79</sup>.

It will be difficult for the women in this study to exit poverty unless a long-term, broad perspective is taken in supporting them back into sustained employment, which helps them to balance caring responsibilities with work. This will also require affordable, accessible childcare, including holiday provision that meets the needs of children in large families.

### **The consequences for families**

#### **Social exclusion**

Across the sample of families, we witnessed high levels of social, as well as financial, exclusion. We found that living on benefits prevented the

<sup>76</sup> [www.poverty.org.uk](http://www.poverty.org.uk)

<sup>77</sup> HM Treasury (2008) *Ending Child Poverty: everybody's business*.

<sup>78</sup> The Fawcett Society, facts and figures on women and money: [www.fawcettsociety.org.uk/index.asp?PageID=14](http://www.fawcettsociety.org.uk/index.asp?PageID=14) accessed on 28 May 2009.

<sup>79</sup> Since 2008 parents have been able to keep £20 of any maintenance paid to them before it affects benefits. From April 2010 this will double to £40. These payments are also ignored when calculating housing benefit and council tax.

children from being able to participate in the same sport and leisure activities that society generally regards as a normal part of growing up. Family outings were impossible.

The poorest 25 per cent of children lack outdoor space/facilities to play safely compared with just 4 per cent of children in the top quintile of income. Ninety two per cent of children in the top quintile are able to afford at least one week's holiday away from home, compared to just one third of children from the bottom quintile.

One in 10 of the poorest children cannot afford a school trip at least once a term. All of the wealthiest children are able to afford this<sup>80</sup>.

Over the 12 months of the study only two families had a holiday (one of these was borrowing a grandmother's caravan). Most of the families had never been on holiday and indeed, rarely travelled beyond a few miles from their home. At the beginning of the study none of the families had a car (although two families acquired them towards the end of the study) and public transport costs were too high to enable them to travel out as a family. Lack of affordable transport presented a real barrier to education, training and employment as well as to leisure activities.

Parents without the money to go out lacked social support networks. For many families the television was not

just comparatively cheap entertainment for the whole family, but also provided the main way in which they felt connected to, and a part of, society.

### **Persistent poverty and mental health**

Living in persistent poverty, struggling to service debt, and feed and clothe their children had a cumulative and detrimental impact on parents' emotional wellbeing. Poor mental health was common, with parents experiencing depression, anxiety, lack of confidence and feelings of worthlessness. Depression currently affects 11 out of the 16 families.

Only 24 per cent of adults with long-term mental health problems are in work, the lowest employment rate for any of the main groups experiencing ill-health or disability<sup>81</sup>.

Two out of every five incapacity benefit claimants have a mental health condition<sup>82</sup>.

Although not exclusively caused by poverty, these mental health problems were certainly exacerbated by the strain of living on a low income. Parents reported feeling depressed about their financial circumstances and feeling bad because they could not afford to give their children the lives that other children enjoy. At times of holiday or celebration, these families dreaded the additional expense and worried about disappointing their children.

<sup>80</sup> Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

<sup>81</sup> Social Exclusion Unit (2004) *Mental Health and Social Exclusion*. London: Office of the Deputy Prime Minister [www.socialinclusion.org.uk/publications/SEU.pdf](http://www.socialinclusion.org.uk/publications/SEU.pdf)

<sup>82</sup> Francis, R et al (2008) *Helping people who are out of work because of ill-health to return to work*. Research Report 460. Institute for Employment Studies [www.employment-studies.co.uk/pubs/summary.php?id=460](http://www.employment-studies.co.uk/pubs/summary.php?id=460)



The stress of living on a low income placed added pressure on relationships, particularly in two-parent families and this usually took the form of domestic disputes over money. Adults described feeling anxiety over paying the bills and sleepless nights were a common feature. For many, overcrowded and damp living conditions added to parents' concerns about their own health and that of their children. We found many parents' everyday lives were characterised by high levels of stress and anxiety. Poor mental health created a significant barrier to finding and sustaining employment.

### **Barriers to escaping poverty**

These findings suggest that families living in persistent poverty have significant barriers to overcome if they are to find a route out of poverty. These include:

- financial barriers such as severe and cyclical debt
- practical barriers such as affordable childcare and transport
- social and emotional barriers caused by social isolation and poor mental health.





# Chapter five:

## Conclusion

This report shows that the case for renewed action to tackle child poverty is overwhelming. Since 1998/99, about 500,000 children have been lifted out of poverty. Research shows that the successes in the last decade on child poverty were a result of specific policy initiatives<sup>83</sup>. However, progress since 2004 has faltered and then reversed as spending increases have not continued<sup>84</sup>. On current estimates the Government is likely to miss its 2010 target to halve child poverty by some 600,000<sup>85</sup> children. It would take just £4 billion, or around two-thirds of 1 per cent of annual public spending, to hit this target.

Compelling evidence suggests that successful anti-poverty strategies and a narrowing of inequalities would benefit us all; more equal societies are healthier societies<sup>86</sup>. Since 2004, the poorest 10 per cent of households have seen weekly incomes fall by £9 a week to £147, once inflation is accounted for, while the richest 10 per cent have enjoyed a £45 a week increase to £1,033<sup>87</sup>. The poorest families, such as those in this study, are likely to bear the brunt of the current economic crisis. The estimated

£4 billion<sup>88</sup> cost of meeting the 2010 target is small compared to the estimated £25 billion that child poverty costs the UK each and every year in reduced educational opportunities, lower productivity, increased spending on social security and lower taxes<sup>89</sup>.

Continuing to reduce child poverty will require national and local government, front line workers and practitioners, the voluntary sector and the business community to work in partnership. Three pieces of legislation offer the potential for a range of players to make a real difference in local communities:

- The Child Poverty Bill measures, to place a new statutory requirement on the Government to publish a child poverty strategy<sup>90</sup>
- The Equality Bill, which places new equality and socio-economic duties<sup>91</sup> on local authorities
- The Welfare Reform Bill measures, to move Job Seeker's Allowance claimants into work through greater support and ultimately sanctions.

The Government has acknowledged that fiscal measures alone will not eradicate child poverty by 2020.

83 Hills, J et al (2009) *Poverty, Inequality and Policy since 1997*. Joseph Rowntree Foundation.

84 There was no additional investment in tax credits and benefits in the 2008 Pre-Budget Report and just £20 a year increase in child tax credits per child in Budget 2009.

85 Brewer, M et al (2009) *Poverty and Inequality in the UK: 2009*, Institute for Fiscal Studies. The IFS analysis, which takes account of the Budget 2009, shows that child poverty needs to fall by 1.2 million to meet the Government's target of halving child poverty by 2010 (on the before-housing costs measure). On current spending plans the Government is likely to fall short of this target by about 600,000 children unless it can invest approximately £4 billion in taxes and benefits before the 2009 Pre-Budget Report.

86 Pickett, K and Wilkinson, R, (2009) *The Spirit Level: why equal societies almost always do better*. Research describes how more equal societies, with smaller income differences between rich and poor, are friendlier and more cohesive: community life is stronger, people trust each other more, homicide rates are lower and there is less bullying and conflict among school children. More unequal societies have worse health and lower life expectancy, more people suffering from drug problems and mental illness, rates of teenage births, obesity and violence are higher, and more people are in prison.

87 Department for Work and Pensions (2009) *Households Below Average Income 2007/8*.

88 See note 85.

89 Hirsch, D (2008) *Estimating the Costs of Child Poverty*, Joseph Rowntree Foundation.

90 The Child Poverty Bill published 12 June 2009.

91 Government Equalities Office (2009) *A Fairer Future: The Equality Bill and Other Action to make Equality a Reality*. This sets out how the Government will legislate to place a duty on public bodies to tackle socio-economic disadvantage and narrow outcome gaps for people from different backgrounds.

The building blocks of employment and adult skills; financial support; services for children, young people and families; housing and the environment; and social inclusion, are all important in breaking the intergenerational cycles of poverty<sup>92</sup>. But the principal requirement is for families living in grinding poverty (and half the children who live in poverty have a parent or parents working) to have a greater income.

This will mean the Government working with employers to invest in their workforce, so that parents acquire the skills needed to progress in work and earn an adequate wage. The National Minimum Wage and working tax credits have made a huge difference to those in poorly paid jobs. However, employers need to play their part in paying a decent wage so that the taxpayer is not left to subsidise poorly paid jobs.

This research has provided an insight into the experience of 16 families, six of whom we detail in this report; but 4 million children in the UK<sup>93</sup> are living similarly poverty-stricken lives. For both economic and moral reasons we need to help families find their way out of poverty. A clear message came from the parents in this study: that they want to work and don't want to depend on state benefits. The children have the same hopes as their friends – rich or poor – to live in decent warm homes, with safe places to play and with the same treats that other children have. Most value their education and want to go to university, get a good job and own a house and a car. This is not too much to ask.

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<sup>92</sup> Child Poverty Unit (2009) *Ending child poverty; making it happen* (Consultation document) and in the Child Poverty Bill, published 12 June 2009.

<sup>93</sup> After housing costs.



# Appendix: Methodology

The research was conducted over 12 months from January 2008 to January 2009 with a sample of 16 families from across the UK (see Figure 2 opposite). Fifteen of the families stayed for the full term of the study and one family withdrew after six months, on entering employment. This family's data was included in the final analysis.

The families were contacted through Barnardo's services and all were or had been Barnardo's service users and were living in poverty at the start of the project. This was determined by an initial financial assessment based on income and family size and calculated using the Government's poverty line. Poverty line calculations were taken from the most recent available *Households Below Average Earnings* at the time. The OECD equivalence scales were used to compare incomes of households of different sizes.

Semi-structured interviews were undertaken with the parent(s) in each family every two months and a financial assessment was undertaken to record any changes in income or expenditure. Families also kept receipts of expenditure where it was possible to do so. A range of additional tools and exercises were developed by the research team to help with the exploration of some topics. Two parents also kept diaries for limited periods over the course of the study. Some of the children in

the study were interviewed, although not at regular intervals, and various creative tools were used to obtain their views and experiences.

Interviews were taped and transcribed, or where this was not possible, detailed notes were made both during and immediately following the interview. Researchers also used observation techniques and recorded details about family life, environmental conditions and location. In families where English was not the first language, an interpreter was used. Qualitative data was coded and analysed using Nvivo software.

## Sample of families

The sample of 16 families comprised five families from England, six families from Northern Ireland, three families from Scotland and two families from Wales.

There were:

- 21 adults (female = 15, male = 6); age range 26-47.
- 42 children (female = 28, male = 14); age range 0-17.

Ethnicity

- 10 families were white British
- one family was black British
- one family was Yemeni
- one family was Chinese
- three families were African.

**Figure 2: Geographical spread of families taking part in research**



*Below the headline: A year in  
the life of families in poverty*

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